THE
Freeman
IDEAS ON LIBERTY

AUGUST 1957

Government and Business	Emerson P. Schmidt	4
The Exception Makers	Leonard E. Read	10
The Irrational Foundation of Statism	Hans F. Sennholz	14
Positive Employee Relations	Herbert E. Markley	19
"Built-in Maid Service"	Herrell DeGraff	32
The Moors' Proverb	John Murray	39
Administrative Law in Great Britain	George Winder	42
Manpower Migration	Colm Brogan	49
The Business of Education	Oscar W. Cooley	51
Ethics and the Executive	Wayne G. Broehl, Jr.	54
Decreasing Value of the Dollar	Livingston Keplinger	58
An Exception Maker's Fate	John Chamberlain	59
Other Books		62

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Irvington-on-Hudson, New York

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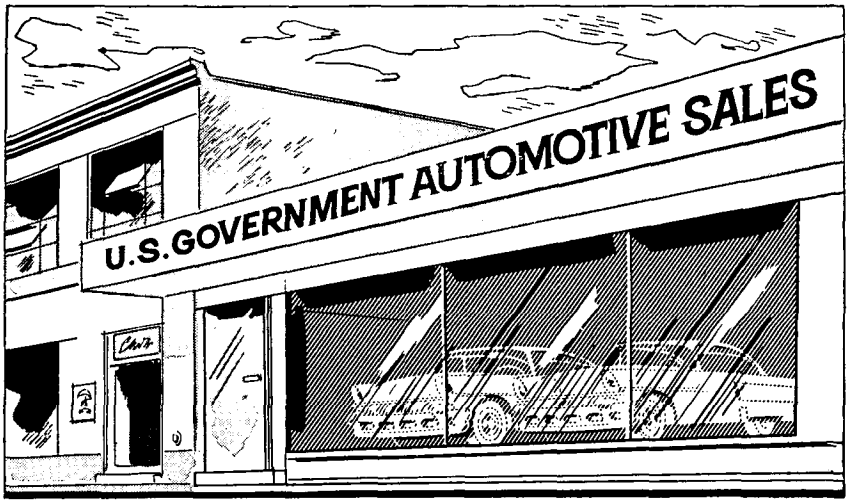

Far-fetched, you say? Why should the government be in the automobile business? It shouldn't . . . but . . .

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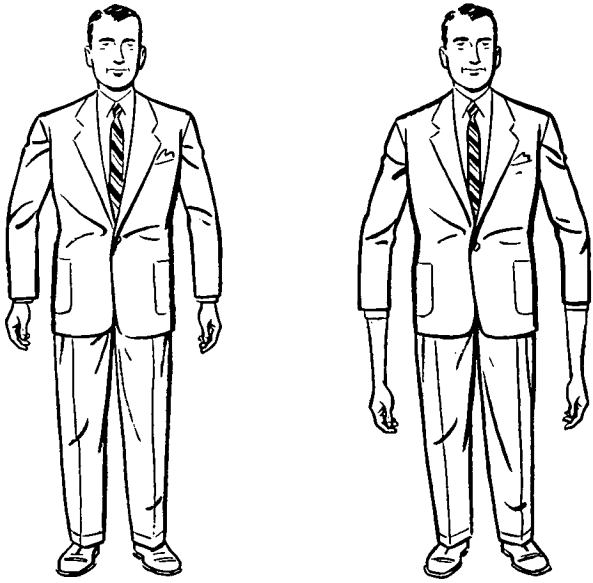

My, how his arms grew when he went to Washington!

BEFORE a man becomes a bureaucrat, he looks like anyone else. But after he gets to Washington, his arms suddenly become long enough to let him reach into every part of the country to try to take federal tax money from the pockets of people like you. You're never sure what happens to the money after that.

Sure, some of the money goes for legitimate federal functions like defense, the F.B.I., the Post Office. But, how about the part that's earmarked for local improvement? A good share of that money goes for "administration", bureaucratic salaries, red tape and paper clips.

We can put an end to a lot of this waste by taking the initiative for our own local improvements. Who's in a better position to know what needs to be done—local citizens or Washington bureaucrats? Why not let your Congressman know how you feel?

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BACK TO SCHOOL

in September

THE IDEAS Mr. Cooley offers concerning "The Business of Education" (pp. 51-53) will be further examined in the September issue by Miss Bettina Bien of the Foundation staff. In addition to her regular work with high school and college students on national debate topics and other questions and problems of concern to students of liberty, Miss Bien is tremendously interested in the history and development of the business of education in the United States. In this forthcoming article, she examines the role the government has assumed in educational affairs and offers some suggestions well worth considering with respect to the prevailing school situation.

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THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

August 1957 Vol. 7, No. 8

The Freeman is published monthly by the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. Anyone may receive The Freeman regularly upon written request; an annual subscription-donation of $5.00 or more is a suggestion—not a requirement.

Accepted as controlled circulation publication at Irvington, N. Y. with additional entry at New York, N. Y. Copyright 1957, The Foundation for Economic Education, Inc. Printed in U. S. A.

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What the government loses in business ventures could help balance many budgets.

EMERSON P. SCHMIDT

Government and Business

MORE AND MORE PEOPLE are asking: "Are we overgoverned?" As recently as 1954, total federal, state, and local tax and nontax government receipts came to $89.6 billion. In 1956, the figure reached $107.6 billion. In 1956, our national income stood at $343 billion. Thus, nearly one-third of the national income is channeled through government. We are approximately one-third socialized. If the government sector continues to grow, as it has since 1929, in fifty years 99 per cent of our economy will be socialized and only one person out of 100 will be privately employed. Perhaps no one expects this trend to continue, but there is nothing in sight at the moment that is stopping it!

Just as human wants are unlimited and insatiable, it appears that the pressure for government intervention and expenditures is unlimited and insatiable.

As the central government takes on new activities and functions, it presses harder on the tax resources of the state and local governments. This makes them appear less and less able to carry on their activities. A few days ago, the press reported that a delegation of seven mayors called at the White House protesting a $75 million cut in a $250 million slum clearance program. Perhaps they did not realize their ludicrous posture; here they were demanding that the U. S. Treasury raise that extra cash, taking a due proportion out of their own cities, hauling it to Washington, taking out the usual Washington brokers' fees, and then returning the remainder to their communities. We've seemingly become incapable of distinguishing between national problems and nationwide problems.

More than half the funds collected by the government of the State of New York are returned

Dr. Schmidt is Director of Economic Research, Chamber of Commerce of the United States. This article is from an address before the Mortgage Bankers Association, New York City, April 16, 1957.

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to the local communities in the form of various grants-in-aid. The central government, in Washington, now has 54 grants-in-aid programs; and, according to Senator Byrd, 13 new ones are in the current budget for fiscal 1958. This includes one for assisting the states in planting trees. A federal program to combat juvenile delinquency is proposed. One wonders if we have taken complete leave of our wits!

Thus, we are establishing a vast network of bureaucracy at the local level, at the state level, at the regional level, and at the national level. An enormous amount of paper work, filing, and investigation is involved. Much traveling, talking, conferring are taking place.

When government sets aside the free market as the guide to production and prices, it invites utter chaos. After a generation of legislating for agriculture, the agricultural problem is as far from solution as at the beginning in the 1920's – if not more so. Taking a look at what Congress has done to agriculture, one might gain the impression that its sponsors were utter economic idiots – if one didn't know better. And now, powerful forces are at work in Washington to set up another vast program of federal aid to depressed areas – a sort of super WPA for business.

What Does It Add Up To?

It is shocking to see how slow our economic progress has been in the last decade. Our per capita real income has increased only $182 since 1946, or approximately $18.00 per year per capita. Personal per capita disposable income has increased only $137 in the ten-year period since 1946 or $13.70 per capita per year. Both in government and private enterprise all sorts of busy work, paper work, public relations, and other "nonessential essentials" are absorbing our time, resources, and dollars.

We are wont to boast about American industry, American efficiency, American productivity. But our gains in real terms are not impressive. These rather small per capita gains indicate that, perhaps, we are not as good as we thought we were. This makes it important that we emphasize more and more investment in product and marketing technique, new product development, more investment in plant and equipment in order to raise our productivity. We need to take a solid look at our "social overhead costs."

With the tax laws as they are, placing a terrific burden on the innovative sectors of our economy, our growth rate has not been what it could be under more favorable tax treatment and less debilitating regulations.

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Federal Taxes for Local Schools

President Eisenhower, in demanding federal aid for school construction, has made it clear that he wants no control over textbooks, teachers, or educational content. Furthermore, he argues that this is a one-shot affair for a limited program to have definite terminal dates. Virtually no one in Washington is sufficiently naive to believe that once the federal government gets its economic finger in the educational pie that it ever will withdraw. Indeed, there are other bills pending providing for supplements to teachers' salaries; and it's only a matter of time until this will be done, once the door is opened. Argument has already been made that the Federal Treasury and the Congress, highly solicitous of the building industry to buy bricks and mortar for schoolrooms, are neglecting the teachers. Human values are subordinated to property, it is already said. But Dr. Milton S. Eisenhower, president of Johns Hopkins University, has strongly warned against federal support for private colleges and universities.

Monetary Controls

In the field of money and banking, we have had a steady growth of intervention in government.

Criticisms of the alleged tight money policy have emanated from Washington almost on a daily basis in routine fashion. Here there exists a basic organized drive against the free market system, and few see the implication for a free economy. There is good reason to believe that a free economy and, indeed, human freedom are impossible unless there is also a flexible money market. This is an idea almost never discussed in the economic literature or the popular press.

If the interest rate is driven downward by artificial forces, that drives the demand for capital ever upward and generates pressures for government intervention on a geometric scale.

Lord Keynes during the depression of the 1930's wanted to drive the interest rate to zero – "the euthanasia of the 'rentier' class." He has had many followers in Washington. They are regimenters and totalitarians – whether consciously or not. To make the point clear: Interest-free perpetual loans, for example, would be the equivalent of making capital a free gift. When things are free, there is no possible limit to the demand for them.

Similarly, government guarantees of loans and easier and easier borrowing arrangements, with interest rates forcibly depressed below market levels by law or by fiscal and monetary policy as prior

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to March 1951, likewise drive the demand for capital through the roof. This puts the economy under constant inflationary pressures and creates political pressures for direct government lending, direct controls, and regimentation. It must finally lead to capital investment rationing, compulsory saving, price and wage controls, profit controls, the allocation of labor to specific assignments – a regimented economy. In 1956, the President's *Economic Report* urged that the Executive and the Congress study the question of direct control of installment credit. Such controls would further reduce human freedom and create more "social overhead" in the form of laws, regulations, policing, bureaus – on and on.

This set of ideas on economic interrelationships has been inadequately discussed in the United States by those who favor human freedom and a free economy.

Opinion polls have found that for more than a decade a vast majority of persons consistently have said "Yes" when asked: "Do you favor price controls?" What they actually want is *lower or reasonable prices.* They see or understand only one way to get such prices, namely, price control. And interest is the price of money.

Unless more individuals in whom the people have confidence come to understand the anatomy of money, credit, commercial and central banking, and the function of a flexible interest rate, we may drift by default into the regimentation and controls which have gripped other nations.

C. Canby Balderston, vice-chairman of the Federal Reserve Board, made it clear that every attempt to create a preferred position for any group concentrates, in a full employment economy, the stringencies on the balance of the economy that much more fiercely. He put it this way:

> The alternative to free markets is to resort to government subsidies, guarantees, and tax benefits. These may shelter preferred groups and meet apparent social needs, but we must not forget that each time we use them we subtract from the credit, materials, and labor available to others who must rely upon the free market. The greater the amount of special shelter provided by government, the more difficult becomes the situation of those not so protected. In a free society, it is axiomatic that not everyone can be sheltered. It is understandable, therefore, that free markets should be looked upon as the central feature of our private enterprise system.

Where Does the Pressure Come From?

It is common to argue that the people demand all these interventions and services from govern-

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ment. This is almost 100 per cent hokum and buncombe.

The *Evening Star,* Washington, D. C., (February 21, 1957) carried this headline: "Pressure Sought on Congress for Basin Funds."

The news story went on to say that "the emphasis on getting funds to complete the Engineer Corps' study as swiftly as possible stems from the remarkable display of public apathy. When the Engineers asked Congress for money to start the survey on the north branch last year nobody but the Engineers showed up to argue for it."

This is an excellent illustration of the fact that the demands for legislation, appropriations, and new government programs do not come from the people. As a matter of fact, the masses never demand anything – except when their position is suddenly reversed.

Origin of Ideas

Where, then, do ideas come from for new programs? New expenditures? They come originally, primarily, from the intellectuals, researchers, writers who make their living by digging up new ideas and new programs. Once these programs get to a certain stage of conversation and discussion, the politicians latch on to them and make them their own. Politicians are, by definition, people who can count votes. In fact, H. L. Mencken once said that if a politician found that he had cannibals among his constituents, he would promise them missionaries for their Sunday dinner.

There are still a lot of naive people in Washington and in business who believe that the demands and the pressures for all these spending programs and interferences with the free market come from the people. This delusion is the result of domestic brainwashing. Lord Keynes had a good deal to say about the nature of ideas and their origin and how they are set in motion. He said, for example:

> The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men who believe themselves to be quite exempt from any intellectual influences are usually the slaves of some defunct economist, some mad men in authority who hear voices in the air, who are distilling their frenzy from some academic scribbler of a few years back.

If we are to preserve human liberty and freedom, we cannot leave it to the politicians, their paid agents, and government bureaus. We must leave it to the people who are students of liberty and freedom, who understand that liberty

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is indivisible, who understand that the free market not only in ideas but the free market in goods and service, including the money market, are integral parts of a free society.

This calls for dedicated spokesmen who will allocate several hours per day to the study and analysis of the philosophy and the literature of liberty. Every organization dedicated to this philosophy has a literature of its own.

Business is not blameless for the social-political drift of the times. Much more could have been done, for example, to remove the archaic building codes, improve the property transfer laws, correct the obsolete mortgage lending arrangements in the 48 states – in general, to make it easier for the people in the local community to meet their own problems in their own ways, unfettered by outworn business practices and archaic laws and regulations.

Nor is it too late to do more – on all fronts. The basic drift of thought among the intellectuals throughout the Western world is toward more conservatism. Now is the time to capitalize upon this drift by working with intellectuals, by nominating and electing better legislators and supporting them once elected – at all levels of government – local, state, and national. If we *each* begin somewhere at the local level, within a few years we can change the socio-political climate in the direction of greater productivity and more freedom for all. • • •

IDEAS ON LIBERTY

Who Are Our Competitors?

Our competitors do more for us than our friends.
Our friends are too polite to point out our weaknesses,
but our competitors go to great expense to tell of them.
Our competitors are efficient, diligent and attentive.
They make us search for ways to improve our products and our services.
Our competitors would take our business from us, if they could.
This keeps us alert to hold onto what we have.
If we had no competitors, we might become incompetent, inattentive, and possibly lazy.
We salute our competitors; they have been good to us.
We need the discipline they enforce upon us.
God bless them all.

ANONYMOUS

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YES, but . . . YES, but . . . YES, but . . . YES, but . . . YES, but . . . YES, but . . .

THE EXCEPTION MAKERS

Allies of Socialism

YES, but . . . YES, but . . . YES, but . . . YES, but . . . YES, but . . . YES, but . . .

LEONARD E. READ

THE BACKBONE of socialism in the United States gets all of its starch from the *inconsistencies* of countless Americans, most of whom believe in freedom everywhere *except* in the case of their own pet projects. They say they want universal freedom, "*but* this is neither the time nor the place . . . ." Or, stated in another way, our rapidly growing socialism has nothing to sustain it except the alarming aggregate of nearly every person's "but." The exception maker is socialism's only ally!

A few examples of the exception maker's "but":

I am for free enterprise *but* I favor federal aid to education.

I believe that each person has the right to the fruits of his own labor *but* I am for compulsory social security.

I stand four-square for private property *but* we need subsidized navigation in order to obtain cheaper coal for our steam plants.

I favor the market economy *but* TVA has my endorsement.

I subscribe to the principles of limited government *but* it is quite all right for the State to prescribe and enforce minimum wages and maximum hours of work.

You bet I am for the American way of life *but* we must have a foreign aid program to protect it against communism. Besides, it helps our prosperity.

Although in common with all business firms we would like to see a reduction in federal expenditures wherever possible, it seems to us that this is *scarcely* the place to begin. (A book publisher arguing against a cut in the government's rural library program.)

Similar declarations by the exception makers could be cited endlessly. My point is that socialism rests on nothing more than these inconsistencies – aggregated.

Intellectually, every tenet of socialism has been demolished; practically, the beheaded corpse shows a frightening vitality. Its

Mr. Read is President of the Foundation for Economic Education.

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intellectual demise is reflected in the fact that neither Marxist nor other socialistic schemes are any longer defended as consistent theoretical systems; instead, they are relied upon merely as practical politics or devices of sabotage. This writer does not believe there is a *consistent* supporter of socialism inside or outside of the Iron Curtain. This statement, however, needs explanation.

Socialism Means Coercion

Socialism, the brand here discussed, the kind that is the enemy of society, can be defined as the government ownership and control of the means of creative activity or production. Its essential ingredient is coercive force. Be it federal aid to education, subsidies to farmers, grants-in-aid, TVA, social security, foreign aid, the rural library program, government housing, or whatever, the attainment of the objective calls for coercive force.

Government housing is as useful for illustrative purposes as any other of the socialistic items. There was a time when we relied entirely on voluntary exchanges to supply our housing. First, we relied on the person who wanted a house; second, on the one who competed to construct it; and third, on the one who saw some advantage to himself in loaning the money for the material, the tools, and the labor. And, this system was successful. It resulted in more square feet of housing per person than otherwise existed in any country at any time in all history.

"Ah," imply the exception makers, "we can have all of this and heaven, too." And they proceed forthwith to apply coercive force as the means of attaining what to them are worthy ends. They use government – the organized police force – forcibly to take some of everybody's income in order that they may give it, in the form of housing, to those they rate as needy. The point is plain enough: Remove the coercive force, and there can be no such thing as government housing or any socialism at all, as here defined.

Degrees of Intervention

Now no person consistently believes (100 per cent) in coercive force as a means to creative or productive accomplishments. No one believes that initiative should be dispensed with entirely. No one believes in total enslavement. No one believes:

> The greatest principle of all is that nobody, whether male or female, should be without a leader. Nor should the mind of anybody be habituated to letting him do anything at

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all on his own initiative; neither out of zeal, nor even playfully. But in war as well as in the midst of peace — to his leader he shall direct his eye and follow him faithfully. And even in the smallest matter he should stand under leadership. For example, he should get up, or move, or wash, or take his meals . . . only if he has been told to do so . . . . In a word, he should teach his soul, by long habit, never to dream of acting independently, and in fact, to become utterly incapable of it.[1]

Shouldn't Happen to a Dog

Indeed, no one believes that the above "greatest principle of all" should apply even to dumb animals, let alone to human beings. Yet, the sponsor of legal plunder – from each according to his ability, to each according to his need and by coercive force – goes beyond this. He doesn't attempt to persuade by this sponsorship that we should merely train ourselves to become abject followers; he would *compel* us to be servile by coercive force. Does this sound farfetched? Well, it isn't at all. Said sponsor insists that we should exercise no initiative whatever over that portion of the fruits of our own labor which his particular government grant-in-aid would require. This takes on real significance when one realizes that the wherewithal to sustain life is an integral part of life itself. Remove the right to sustain life, and the right to life is meaningless.

The TVA exception makers have succeeded in removing from the realm of initiative, from freedom of choice, a fraction of every citizen's income. Other exception makers with their successes at other politically extorted pittances are responsible for the grand total of socialism in America today. Nothing else is to be blamed.

Even this country's leading socialist is not a consistent believer in coercive force as a means of creative or productive accomplishment. He is on record as saying, "There is room . . . for individual ownership and individual effort."[2]

Dictators Also Make Exceptions

Marx, Lenin, Stalin were glaring examples of exception makers. Their "buts" were simply more numerous than the "buts" of most Americans. Proof of this is Stakhanovism, introduced into the Soviet Union in 1935, a plan which approved piecework, reward according to merit, higher wages for greater individual production. The

[1]Plato of Athens. A satirical statement, no doubt.

[2]Thomas, Norman. *Democratic Socialism.* New York: League for Industrial Democracy, 1953. pp. 27-28.

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Kremlin crowd – exception makers all – differ from American exception makers only in degree, not in kind.

Most exception makers would cease and desist if they were aware that their "buts" give the evil principle of coercive force as a means to creative ends the only backing it has and if they knew that these little drops of corroding action were the stuff that is destroying "the last best hope of earth." However, until they gain this awareness, they no doubt will continue to believe in and insist upon a little coercive force providing it seems to help them or gives the appearance of gaining ends they think good. Short of awareness, they will favor coercive behaviors in particular instances while vigorously condemning the general practice of the destructive principle.

Russians are much less our Nemeses than are the "buts" in the belfry of Americans who more or less prefer freedom to coercive force. • • •

IDEAS ON LIBERTY

We Are For Competition, But . . .

TO ASK AN AMERICAN BUSINESSMAN — whether he be grocer, baker, or candlestick maker — if he believes in competition is almost like asking for a sock on the nose. *Of course,* he believes in competition — and he raises his voice to add emphasis to his answer.

But, after he has cooled off a bit from your question, you may find that he has his own definition of competition. For example, let's walk with him down the street toward the grocery store of which he is the proprietor. Across the way in a window of one of his competitors is a large sign: "Sugar, X cents per pound." You call it to his attention and at once his brow knits. "That's unfair competition," he says. "That so-and-so has cut his price again to attract *my* customers." I remind him that he believes in competition. "Why, yes," he replies, "but not unfair and ruthless competition." And, if you then ask him, "But why is it unfair for a competitor to cut his price?" he will explode, "Why, any darn fool knows that it is unfair to sell sugar for X cents. You can't make any money at that price. There ought to be a law in this state against such practices."

CHARLES F. PHILLIPS, *Competition? Yes, But . . .*

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The Irrational Foundation of Statism

HANS F. SENNHOLZ

A. Devaney, Inc.

THE IDEOLOGY of statism that sways the minds of most people is built on a denial or neglect of reason. Many people believe what they like to believe, not what cold and sober reasoning leads them to believe. Prejudice and passion – each rooted in a common distrust of reason – seem to determine the course of our age.

We feel helpless as we confront mass conformity, and our own comprehension seems so fruitless in the struggle for recognition by the various bodies of political and economic ideas. With only one ballot and one voice among many millions, our individual search for truth seems to be without practical bearing or consequence. And many of us abandon the search for truth simply because we can see no practical application of it. We begin to rely on others, that is, on *authority*, as a convenient substitute for our own effort to comprehend and understand.

Of course, we cannot dispense with all authority, some people being better informed than others. Because of greater inherent intellect or more industrious application, some have superior insight into complicated political and economic issues. But we must always feel free to question their wisdom and their decisions as reflected in the following examples.

There is hardly a field in which authority is more readily accepted than in the matter of labor association. Millions of union members unhesitatingly accept as truth the claims of their leaders.

Ask a union member why his wage amounts to as much as it does, and he most likely will give credit to his labor union. He does not reason his way to the conclusion that his labor has a price tending to coincide with the value of his own productive contribution. The competition among millions of actual or potential employers will always tend to push his wage to this very point.

Dr. Sennholz is Professor of Economics at Grove City College, Pennsylvania.

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Few union members will question their leaders' claim that collective bargaining raises wages, or that the strike as the workers' ultimate method of coercion leads to higher wages and greater benefits. Whenever the leaders announce a strike, thousands, if not hundreds of thousands of members, will obediently follow and blindly trust the economic wisdom of their leaders.

Or take an example from the field of political authority and leadership. The President proclaims that multi-billion dollar spending on foreign economic aid is essential for the security of the United States. Then hundreds of congressmen and many millions of citizens unquestioningly accept his proclamation as political truth and wisdom. They do not bother to deliberate on the whence and where of the funds or their alternate uses if left in the pockets of the American taxpayers.

They do not reflect on the harm that is done to the ideas and the system of capitalism. Billions of funds are taken from our capitalist economy and spent by foreign socialist governments on the consolidation and expansion of their numerous anticapitalist programs. We temporarily rebuild nationalized industries abroad with funds, the raising of which weakens our own enterprises. It is no coincidence that the countries that have enjoyed the greatest financial aid by the United States are today gravely undermined by socialism: Great Britain, France, and Italy.

Traditional Beliefs

Authority as a substitute for reason can also take the form of appeal to *tradition* or traditional beliefs. Because our ancestors embraced certain ideas or carried out certain policies, many people refrain from questioning their decisions. Tradition, they say, is the cumulative wisdom of hundreds of years.

It is true, we all begin with a set of traditional beliefs. But when we learn to apply our reason, we often find that tradition may be based on error, for our ancestors were human and often erred.

Take the following examples where tradition based on error shackles our present freedom of action.

For some hundred odd years the U.S. postal service has been a nationalized industry. Year after year all other industries have been taxed in order to cover the growing losses of the post office. Run by politicians and operated according to antiquated principles of business and accounting, it constitutes a permanent drain on the economy. And yet, in spite of the conclusive evidence of waste and inefficiency, few question the wisdom of our an-

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cestors in nationalizing the services of the Pony Express, Adams Express, Wells Fargo, and other private companies that helped to open the West. Most people reiterate our ancestors' errors: They point to the growing volume of postal business and assert that private enterprise could never handle it. But the same persons may make a hundred telephone calls through a private company for each letter they mail through the U.S. postal service. Or private companies may, within a few hours after production, bring them many quarts of milk from places hundreds of miles away before the postman delivers a single letter.

Or consider the examples of the American tariff legislation and the regulation of railroads. Because our ancestors adopted these measures of government interference with business, most people unhesitatingly continue to support them. They refuse to see the maladjustment and the inefficiency that tariffs bring about or the harm that government interference does to rail transportation.

Experience vs. Reason

Another powerful substitute for the exercise of reason reigns under the guise of *experience*. Again and again people brush aside theories and assertions based on reasoning because these allegedly conflict with their own experience. In reality what they are mostly voicing is nothing but old hardened theories and once prevalent notions.

An ardent New Dealer, for instance, tells in dramatic fashion about his experiences during the great depression. He points at the millions of unemployed, the bread lines he helped to man, or the apples he sold. According to his "own experience" the old capitalist order broke down and the New Deal state was ushered in.

It is obvious that he reiterates the dogmas of the Welfare State. His own personal experience was limited to the bread line and the sale of apples. The rest of his assertions constitute fashionable interpretation and New Deal theory. Cold and sober application of his reason, however, could have told him that it was interventionism that broke down. Innumerable measures of government interference in the form of disastrous money and credit policies, tariff, and labor legislation fathered the great depression.

The same man may tell us about the working conditions and wages of his youth. He may point to long hours of work, low pay, and poor sanitary conditions. He then gives full credit to labor legislation or his labor union for better conditions today.

Of course, his explanation mere-

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ly constitutes a popular theory. He mistakes temporal sequence for causal consequence. Reasoning would immediately convince him that working conditions and wages depend on productivity. Today's driver of a truck powered by a 300 h.p. motor undoubtedly produces more, and consequently earns more than yesterday's driver of a team of horses.

Anyone believing in the beneficial effect of labor legislation or union policies should ponder the following: What prevents unions from doubling or tripling wages now? Why do countries that embarked upon these policies a century ago have much lower wages and poorer working conditions than the United States which adopted them only recently? If labor legislation and collective bargaining account for our prosperity, why cannot our labor leaders quickly alleviate the suffering in underdeveloped countries?

"Instinctive Knowledge"

Many irrational beliefs are advanced also under the pretext of *intuition.* In defense of hasty notions and assertions many people refer to their "innate" or "instinctive knowledge." They shun logical evidence and seek refuge behind the plea for self-evidence or "common sense." In reality, they often are endeavoring to protect their favorite convictions and prejudices from the scrutiny of reason. The plea for instinct and common sense undoubtedly is the favorite device of escape from the necessity of logical justification.

You may have had the following experience. You are describing the dangers of the steady socialization of the human mind. You are offering conclusive evidence of the progressive collectivization of America and demonstrate in a way which you think is irrefutable that the ultimate outcome of this process must be the destruction of America. Suddenly your listener brushes aside all your arguments with the simple intuitive assertion: It cannot happen in America! The primitive certainty of his cherished view flies in the face of reason.

Logical reasoning informs us that certain actions lead to certain effects. If we conduct policies that destroy individual initiative and consume capital, our prosperity and strength must vanish. And if we destroy our economic system of individual freedom and free enterprise, not only democracy, but also our civilization must perish. For freedom is an indispensible foundation of both.

Imaginary Worlds

The final and perhaps most popular substitute for the faculty of

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reason holds forth under the ambitious name of *creative imagination*. We like to reshape our actual world by adding to it or subtracting from it. We call this "creative" and "constructive" while we readily reject sober reasoning as being merely "negative."

At times we all are imbued by the desire for illusion. We indulge in daydreaming and give free play to our imagination. This play, however, loses its harmless characteristic as soon as it influences our actions or we endeavor to transplant it to thoughts and actions of others. Imagination then may take the form of irrationalism.

The imagination of the social writers during the last one hundred years greatly contributed to the sway of irrational ideologies. Artists like Dickens, Shaw, William Morris, Wells, Zola, Anatole France, Gerhart Hauptmann, Tolstoi, and many others freely employed their "creative imagination" to stir man's revolt against reason. They condemned human vices and laid them on the doorstep of capitalism. None of these literary men showed the slightest grasp of the theory of the market economy.

It is true, life was not easy during the early years of capitalism. Our ancestors had to labor long and hard in order to earn a meager living. But this was not due to the system of individual freedom and free enterprise, but to its very absence in the preceding centuries. Capitalism, by liberating the Western nations from age-old bondages of institutional restrictions and prejudices, year after year increased productivity and improved the living conditions of the people. It allowed the population to increase at an unprecedented rate with ever-rising standards of living. Uncounted millions of people in the West owe their lives to its tremendous benefits.

We need not expound the consequences of the continuing revolt against reason. They surround us in the form of wars or danger of wars, socialism, and many other methods of destruction.

For the sake of our civilization let us hope that some day reason once again will prevail over its various negations. • • •

IDEAS ON LIBERTY

Laissez-Faire Means:

DO NOT MEDDLE; wait and observe. Do not regulate; study. Do not give orders; be teachable. Do not enter upon rash experiments; be patient until you see how it will work out.

WILLIAM GRAHAM SUMNER, *The Forgotten Man's Almanac*

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Positive EMPLOYEE RELATIONS

HERBERT E. MARKLEY

T. F. PATTON, president of Republic Steel Corporation has said: "Management has learned that the welfare of its employees is just as important to the success of a company as making products and selling." I believe we can assume general acceptance of that statement in principle. How best to accomplish the *optimum* in employee welfare may – and usually does – lead to argument, or at least to vigorous discussion.

There are some folks who think the approach of The Timken Company to employee relations is unorthodox. This fact suggests that I give an account or a case history of our philosophy of employee relations and its application. I shall, for the most part, be concerned with that philosophy as it applies to employee relations influenced by unions.

I want first to express our philosophy of employee and public relations, then describe some things we have done to implement this philosophy, and finally make a few conclusions about its effect.

We have approached employee relations as we would any other problem; that is, to treat it positively. First of all, we have insisted that no one – and I repeat, no one – but management has the responsibility and the right to manage. That to us includes the *obligation* to consider and solve problems arising in the employer-employee relationship, be they real or fancied.

Second, we are convinced that planning in this field must be just as forward and as imaginative as in a sales program or in the designing and manufacturing of a product. This means that we have to be looking years ahead and not just to the end of the next negotiations.

Third, we think our employees, their families, and the public must be informed about the results, implications, and consequences to them of any course of action the company may follow either voluntarily, or from being forced by a union.

The charge is often leveled

Mr. Markley is Assistant to the President of The Timken Roller Bearing Company. This article is from a talk before the Northern Ohio Personnel and Executive Conference, Cleveland, Ohio, January 18, 1957.

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against us that we are against unions. We are not against unions nor are we out to break them, but we have no intention of handing our plants over to union leaders, and we will continue to resist any effort by anyone to emasculate the job of management. We have a written labor policy published and which each new employee is required to read which says:

"With regard to Unions we are neutral. We believe in and practice collective bargaining within the laws governing it. The Company recognizes labor's right to bargain and Management's inviolate right to manage. You can get and hold a job with the Timken Company if you belong to a Union and receive the same treatment and benefits from the Company as any nonunion man. The Company insists on the right to hire the best qualified person for each job. Your opportunity to advance is limited only by yourself. Promotions are made on the basis of your abilities, skills and seniority. When hired by the Timken Company you must become a member of the Union for a brief period. You then have the right to make your own free choice to either stay in the Union or get out.* In either case you may continue to hold your job at the Timken Company without prejudice."

*A variation from the usual "union shop" clause reached through negotiations with the Steelworkers' union.

Employee vs. Labor Relations

This policy is observed to the letter. We know that the average employee in a factory may think he does not have the ability, the knowledge, or the disposition to present his case effectively. He may want someone to look out for his best interests, and if he feels that a union is the best agency to accomplish that job for him, we are perfectly willing to meet with his representatives to bargain on matters affecting wages and working conditions in the manner provided by law. An employee in our plants is required, however, first to discuss a grievance with his foreman alone.

We make a sharp distinction between employee relations and labor relations. The latter term is applied to relations with union officials and representatives within the framework of collective bargaining. Employee relations, in our thinking, are represented by the day-by-day exchange between employees and management. One can correctly assume that our labor relations are strained at times. You can also conclude, as I do, that as employee relations get better, in our mode of operations, labor relations may worsen. I stress the semantics here in the hope that you'll believe me when I assure you our employee relations are of a very high order.

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We believe discipline is part of a foreman's job. The practice of seeking the help of a union official to "straighten out" an employee is an abdication of management in our opinion. A foreman is a boss, a title to be proud of, not apologetic about. A good boss should act like one. I am chagrined that "Boss," like "Capitalism" and "Profits," has come to have a bad connotation.

Another strong belief is that the provisions of a contract are to be observed as negotiated, written, and signed – by the company, the union, and the employees. We forbid side agreements. To illustrate: If a meeting is to be held within five days from a specified date, it's held then or not at all. If an appeal to the disposition of a grievance must be made in ten days, it is no good on the eleventh. Swift action against breach is certain, and expected.

A further conviction which we have is that well-informed employees will act in a way which contributes to our mutual best interest. We intend to see they are informed. The public is also interested in what a large employer in the community does. The influence of a neighbor on an employee cannot be discounted. Our hope is that trouble can be avoided by expecting people to reason logically if they have the facts. If in spite of all efforts trouble still comes, it may be minimized if employees and the public have a complete understanding of the circumstances.

Industry-wide Bargaining

We are against industry-wide bargaining, a practice which promotes the labor monopoly even further. In addition, when all producers in an industry have the same contract, it's very easy for management and unions to agree on wage boosts greater than increased productivity justifies, which wage boosts are then passed on in ever rising prices. The public, of course, suffers. Our problems differ considerably from those of the basic steel companies which set the pattern which, in many respects, the union expects our company to accept. We bargain with the Steelworkers, if I failed to say so; and we were really outraged this past summer when an imported specialist of theirs opened one of our negotiating sessions by saying there was really nothing to discuss as to his specialty, since that part of the contract had already been agreed to on our behalf by negotiators in New York. That, I can tell you, was a lively session. A quick check with the "Big Steel" negotiators revealed the statement to be completely false.

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We are convinced an employee's welfare is tied in with the best operation of the company and that his interests and the company's interests are compatible. We reject the idea that the two interests are diametrically opposed. It follows then that, if by treating an employee as an individual and with dignity we can persuade him to identify his progress and welfare with that of the company, it is a worthy aim.

We are quite aware that the better job we as management do, the more strained our labor relations may become, a thought suggested a few minutes ago. This is so because a labor leader lives on strife. If there is none, there is nothing for him to do; he isn't needed; he must create problems.

Now years ago labor leaders were willing to confine themselves to making sure employees received fair treatment and good wages and had good working conditions. The modern labor leader in an era of enlightened management would have little to do. So to promote himself, to make more jobs in the labor movement, to justify higher dues and more and heavier assessments, he had to expand his field of operations. What offers more opportunity than, in the spirit of brotherhood, to help management manage? So labor pushed for and succeeded in getting into many contracts provisions for joint safety committees, joint pension boards, joint job evaluation committees, requirements of union approval on schedules, and so forth.

In the most "modern" contracts there are requirements that the union approve selling prices, product designs, purchase of equipment, location of new plants, and advertising campaigns, to mention a few. So far we have successfully avoided committing this kind of management hara-kiri.

We are likewise repulsed by such things as furnishing union stewards with offices, paying stewards while on union business, or giving superseniority to union officials and stewards. This all seems ridiculous to us. To refuse to pay someone to put you out of business may be old-fashioned but, like motherhood, it still has some virtue.

Oppose Union Shop

It should now come as no surprise to you that we are unalterably opposed to the union shop. We are just as opposed to the union shop as we were to the "yellow-dog" contracts of years ago. That dog now on a union leash is just as yellow as when shortsighted employers pulled the chain.

It would have been so much easier for us in 1956 to have

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agreed to a union shop for new employees, as many steel companies did. For management to contract to take away an employee's right to make a choice, or to make him support an organization not of his choosing without first fully explaining the consequences of increased dues and of possible heavy and frequent assessments, would be a breach of faith. We did explain it and the results proved the wisdom of our efforts. Our new employees still have the freedom of choice.

One further thought. Negotiations can begin sixty days prior to expiration of a contract. That is ample time to reach a new agreement if the parties honestly bargain in good faith. We have always questioned the wisdom of around-the-clock bargaining which become endurance contests to which neither the union nor management representatives can bring their best minds. We bargain from 8:00 a.m. to 12:00 noon and 1:00 p.m. to 5:00 p.m. five days a week. We refuse to make employees pawns in a game in which would-be actors take advantage of minds numbed with fatigue to come to a dramatic conclusion at 3:00 in the morning which could have been reached just as easily at 5:00 in the afternoon. Some of my friends who indulge in this kind of bargaining argue that when agreement is near, management has an obligation to go through the night to avoid a strike. We have never done it, and our record of time lost in strikes will compare very favorably with those who follow the practice. The union incidentally abides by that rule. At 12:00 noon and at 5:00 p.m. a red light flashes and a bell rings. School is out.

Strike Violence

One of the real outrages in labor relations is the destruction of property and physical violence which often occurs in a strike. We have had bombings, employees' cars run off the road and physical beatings. When law enforcement agencies would not or could not do something we decided on this: At the beginning of any labor trouble, we advertise that a $10,000 reward will be paid for information leading to the arrest and conviction of each person who threatens or maliciously injures the person or property or the immediate family of any of our employees because the employee works or attempts to work during the strike. Such incidents have become far less frequent.

Following these comments about our philosophy, what do we do in practice to promote positive employee relations? We believe a company must be a citizen in the com-

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munity – a good citizen. As a good citizen, he should speak up when anything threatens the best interests of the community, directly or indirectly. For many years in the newspapers, on the radio, and by direct mail to employees' homes, we have commented, among other subjects, on the evils of communism, the impact of high taxes, the consequences of federal control of local projects, the need for good citizens to understand and then to make their positions known to elected representatives, the obligation to register and to vote, and the effects of union proposals.

Continuous Education

To limit our discussion here to union programs we have explained their effect on the jobs of employees, the health of the company, the economics of the community, and the freedom of the individual. This kind of approach cannot begin just before negotiations. It must go on continuously so that employees learn to have confidence in what management says. They must have a chance over a period of years to verify company conclusions. For instance, what we said in 1949 before and during the pension strike – when we advocated and offered a better pension program than the International Union would allow the local unions to accept – contributed to the faith our employees placed in us in 1956. Employees must have an opportunity to learn that management is sincere and is not just engaging in a whirlwind campaign during a campaign year. To do it only during a year of negotiation makes the program less effective. Results accumulate just as they do from sales promotion and advertising.

We go directly to the family group. You have been admonished not to underestimate the power of a woman. The influence of the wife is just as potent in the field of employee relations as anywhere else. In fact, she deals in a very realistic way with the problems of feeding and clothing the family. We think she will take an objective stand if she knows what it's all about.

It is possible to sell the company just as well as we sell products so we reviewed our techniques. We have never been timid about telling you as customers how good our bearings are, so we reasoned that if we have a good place to work, why not say so? We adopted proved advertising approaches. Families are good copy. In one series we select for each ad an employee who has acceptance by his fellow-employees and proclaim that John is safer in our plant than at his home. We show a picture of John with wife, Emily, and

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the children in their home together with a statement that we have fewer accidents in our shops than occur in homes for a comparable number of people. In the series I have just mentioned we get the support of the employee, his family, his co-workers, and friends for the attention we give him and at the same time we tell our safety story.

We answer any untruthful accusations made by union leaders. It is their practice as negotiations approach to make blast after blast about the deplorable conditions in our plants. That doesn't jibe with our advertising so we don't just yell louder – we go into action.

Community Open House

Let me tell you what happened this past year. With the 1956 negotiations coming up, the union began its usual conditioning by proclaiming that we were operating a sweatshop. Now we consider a sweatshop one in which long hours are worked at backbreaking tasks for very low pay. What could we do about a charge of this kind? Well, we invited every service club, the clergy, the doctors, the lawyers, the barbers, the mailmen, the police, the Urban League, the Junior League, the Woman's Clubs, and anyone else who wanted to see, to take a tour of our plants followed by lunch or dinner with company executives in the company dining room at which time they could ask questions, with no holds barred.

Visitors came by the thousands, and they saw the effects of a company policy to take every job we can off the backs of men and to put it on machines. Our vice-president in charge of engineering has as his primary objective to let machines do the work and let the men use their minds. To forestall a popular argument that machines are putting men out of work, our employment has increased 500 per cent in the last 30 years in spite of tremendous mechanization. Some guests were in fact downright astounded to see mill operators sitting in upholstered armchairs manipulating levers and crane operators sitting in air-conditioned cabs. They were surprised to see women with well-kept hair-dos, highly manicured nails, and nicely dressed in clean smocks.

These visitors also observed the earnings of our employees. We set up a huge board in which we placed actual bills and silver equal to the average payroll for each employee. We broke this currency down and placed in one pile the amount that went into his pay check, another pile contained the amount that was withheld for taxes, and then other piles to show

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what was set aside for each of a series of fringe benefits. To augment the display we published several times a week the actual earnings of specific employees selected from every department from sweepers to toolmakers, with emphasis on the fringe benefits which everyone seems to want to ignore but which are very much a part of wages. Many visitors learned that our employees were making more than *they* were. This took care of the low wages of a sweatshop.

It was common knowledge that no one worked more than eight hours a day.

A by-product came from this too. We encouraged visitors to ask people in the shop any questions they wished. This was to keep anyone from charging we were giving a slanted view. Our employees made sure our visitors got a good impression, and the pats on the back which visitors gave didn't hurt either.

After seeing no men chained to their machines and no exploitation of child labor, visitors came to the conclusion that what the union leaders were saying was untrue. That partially explains why there was little sympathy for a strike in 1956. About two months after the visitations were well under way, the union newspaper stated it was happy to report that the majority of sweatshop conditions had been eliminated in the company plants. The only changes made were the visitations.

Information for Employees

Many years ago we learned that union negotiators do not report issues accurately so about 10 years ago we began to issue daily bulletins which were a digest of the day's negotiations. These digests were factual. Originally they were given to supervisors only, so that within hours after a meeting, employees who came to them could receive accurate information. This had the effect of employees asking the foreman, rather than the union steward, for information. They found the steward could give only a distorted report even though he might have wanted to give the correct information.

Later we installed a "Communicator" on our telephone system so that by dialing number 2 a summary up to three minutes in length could be heard. We gave a report immediately after a morning session and immediately after an afternoon session. This permitted a foreman at any time during his shift to catch up on the very latest in developments.

In preparing for the 1956 negotiations we decided on an even more direct approach. About the same time the union was fouling

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its nest with its sweatshop propaganda we thought some of the upcoming issues should be highlighted for employee and community understanding. We stressed the often neglected fringe benefits. We wondered how much employees really wanted in more fringes so we created Joe Fringe and made him a national figure. We had him reproduced on balloons for the kids. Wooden nickels indicated what too many fringe benefits would do with respect to spendable earnings. Our numerous ads and radio spots popularizing Joe gave rise to jokes which we welcomed because all of this was making people aware of the fringe benefit situation. We even added a thirteenth month to some of our company calendars around the plant which showed Joe's smiling face along with the already popular bevy of lovelies some of you may know about. This thirteenth month had 59 days, the number of days a man had to work to earn his fringes or, to say it another way, the number of days' earnings to equal the cost of fringe benefits.

We try to say things in a language familiar to our employees so at this same time we suggested readers consider the yellow-dog aspects of the union shop.

You think perhaps some of this is corny. Maybe it is, but I have been to equipment or trade shows where the best known companies were handing out to callers at their booths some pretty corny stuff. Why were they doing it? Because they thought it would help sales. Because the gimmick was a reason for an extra thought or comment about their product or their company. Well, I see no difference – if a gimmick will sell a product, it will sell an idea.

Prompt Reporting

After this build-up of acquainting the employees with the issues, which went on for some months, the time for negotiations actually arrived, and we then decided to give each employee and his family a digest of each day's negotiations. We also sent them to many friends in the community and in all segments of industry. As I said before, these digests were factual and were delivered by first-class mail at the homes of employees by midmorning of the following day and gave the news to the family *before* the news media had it. Employees looked and waited for each day's digest. We were literally amazed at the interest they showed. They went to union meetings and from what we heard, instead of the meetings being controlled by well-placed "red-hots," the responsible employees got up and had their say with plenty of

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support once someone broke the ice.

To keep interest high and to popularize company offers, ballpoint pens began to show up in our shop. A different color identified *each* new offer. These pens were in limited quantity – about one-half as many as there are employees – to make them wanted. The distribution was informal. Each foreman had some and all other management personnel, including the president, carried a supply when in the shop.

You see, all of our top management spends some time on the shop floor during any day they are in the office. We think that's a pretty good idea, too. Employees began asking for these pens, and it was always an occasion for a comment or two, not necessarily about the labor situation, but many were. It did get employees to talking about the proposition. The poets in our Labor Relations Department got some practice in writing limericks. Here's what was on the pens:

a. Your dough — not Joe's
16¢ = $25.00 - $30.00 a month
It's yours — Speak up

b. Income Security Plan
16¢ added to your pay
5¢ more for a rainy day
Why the delay — Get it today
Join the 21 Club

c. Too much of anything is bad, they say
More Fringe Benefits means less pay
You must agree it does make sense
Forget the Fringes — take 21 cents

d. 3 more years of happy days
3 more years of regular pays
Strike Loss 1956 - - 0

It is an event for Dad to say to Mom after work that the president, or the vice-president, or the factory manager, or his foreman gave him a pen today. Most people in this country still respect ability and success and want to be identified with it. We felt these efforts gave our employees a chance to feel closer to management.

We have always had a court reporter present at all meetings between the union and the company. To complement the daily digests we also made available the verbatim transcripts of negotiating sessions to any employee who wanted to read them.

We have used other approaches. To mention two briefly: Each day for one year, an executive invited a small group of employees to have lunch with him in the company dining room. Any time lost was paid for, but attendance was purely voluntary.

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We wanted to do something for each employee. So beginning several years ago on his birthday the employee received from his supervisor a little gift. Two years ago we gave each employee a very fine hammer which uses our seamless steel tubing in the shaft. The employee's name was etched on the head. An informal survey has shown over half these hammers have never hit a nail – either the steel kind or the thumb kind. The man is so proud of it he displays it for visitors to see in his home. My own is kept in my library. Last year we gave a sportsman's axe, made in the same way, also with the employee's name on the head.

It isn't possible to discuss each effort we have made; but there are a number of others, including the employees' magazine, the monthly letter from the president, reading racks, and bulletin boards.

A Convincing Performance

Now it is difficult to sell a product if it fails to measure up to your claims for it. It is also true of employee relations. Management has to do its job and make unmistakably clear that it has the ability to manage. To develop that ability, along with you we do a lot to train our foremen and try first to make our policies clear to them. Union contracts are thoroughly explained, using among other things the best flannel board techniques we can devise. Then our Labor Relations people are tuned in closely to top management thinking. Our director of industrial relations really works at his job. He spends long hours with not only the vice-president in charge of that division but with factory management as well, to make sure there are no crossed signals.

In the matter of safety we make sure that no hazards in our plants are overlooked, and if we find something wrong we take care of it. We don't feel a joint safety committee would contribute to the record we already have of the safest plants in our classification in the state.

Foremen are trained and expected to settle grievances on the floor. Co-ordination with labor relations is very close. A grievance doesn't go to arbitration if we are wrong. That's why we have won approximately 90 per cent of them. It also explains why we have not agreed in our contracts to have arbitrators appointed by the arbitration associations. We think that arbitrators so appointed tend to decide cases on "one for you" and "one for you" basis, or they decide cases on compromise. Our feeling is that if we are right, there is no such thing as dividing up awards nor is there any place for compromise.

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Looking Ahead

Is there a reason for positive employee relations? For taking a firm, honest position and expecting your employees to support it? I'll leave that to you. But I would call your attention to two or three trends which make good employee relations desirable. We have agreed to the steel industry pattern on economic issues in a general way. Our employees haven't always wanted the same things the union has advocated. We fully appreciate that an employee of ours represented by the same union wants to receive as much as his neighbor who works for another steel company. On other issues, which are often the real reason for a strike, we do not always go along with the steel industry.

Efforts to bolster a union leader's hold or to enhance his position as an individual, to create union jobs, to provide for union participation in management, to develop a basis for harassment of the company or to do other things which have little or nothing to do with our employees as such, are strenuously resisted.

These things on the horizon will be accomplishments tomorrow if more companies do not develop programs designed to stop them. Maybe some want them. We don't. Because some may agree with us, I have described our approach and now I would like also to express my fears.

First, I am convinced increased efforts will be made by union leaders to further hamstring managements. Eventually they hope to have equal voices on the boards of directors of the corporations.

Second, everyone knows of the drive to be made for a drastically reduced work week. Even union researchers say candidly that the shorter week is to provide more overtime, necessary to produce enough goods and services to meet the needs and desires of our population. At this time then a shorter work week appears economically unsound. When the day comes that we can produce sufficient economic goods in a shorter week, we'll accept it. We remember the 60-hour weeks we once had and the prophets of doom when the 40-hour week came. But there must be some limit, or we can go to 0 hours and go home right now.

Significantly, the unions have not explained how capital goods will be utilized efficiently. We have enough trouble now getting the kind of help needed to keep these tremendously expensive new machines going. How we can do it by working even fewer hours at labor rates 25 per cent to 30 per cent higher than today is something to think about.

Third, I am concerned about

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plans to unionize office employees, particularly engineers. Our industrial progress has been the result of fine engineering. I am having trouble visualizing continued gains in that direction by regimented, unionized engineers. But the effort will be a virile one, believe me. Why do you think an officer of the United Steelworkers pleaded here in Cleveland last week for a 50-million-dollar slush fund? He needs it, he says, to protect the members against employers who will destroy them at the first opportunity. I think it more likely it will be used to intensify organizing efforts of salaried people, to build up strike funds, and to exercise more influence on legislators to give employers their lumps. He will have no trouble raising the money. He has the formula. First, he has the union shop in most places. Then dues were increased 66-2/3 per cent this year, maybe more next year, and the base has been laid for assessments of any size.

Now to conclude, has our approach produced any results? We think it has.

1. Because we regard a contract as just that, we have not lost a day in wildcat strikes since 1946.

2. We avoided the industry strike of 1956 and the short one of 1955. Even in 1952 one of our unionized mills continued to work.

3. We have been able to keep out of our contract any kind of clause providing for union participation in management decisions.

4. Our productivity has improved.

5. Employees and citizens in the community are now saying to us they are beginning to see the wisdom of many of the things we have done where once they criticized.

6. We believe our program has helped to improve living standards of our employees and of others in the community who benefit indirectly.

7. Our new employees still have a choice of whether or not to be a union member.

8. Our customers have benefited by uninterrupted deliveries.

9. Our stockholders have benefited by reduction in work stoppages and the profits made from increased sales to customers to whom deliveries were made without interruption.

We also know we have rough roads ahead unless more employers join us. A really few companies with the courage of The Kohler Company, to name one, and with a program of positive employee relations can convince employees that their interests are the same as those of management.

This is not only a challenge, it's an obligation of management.

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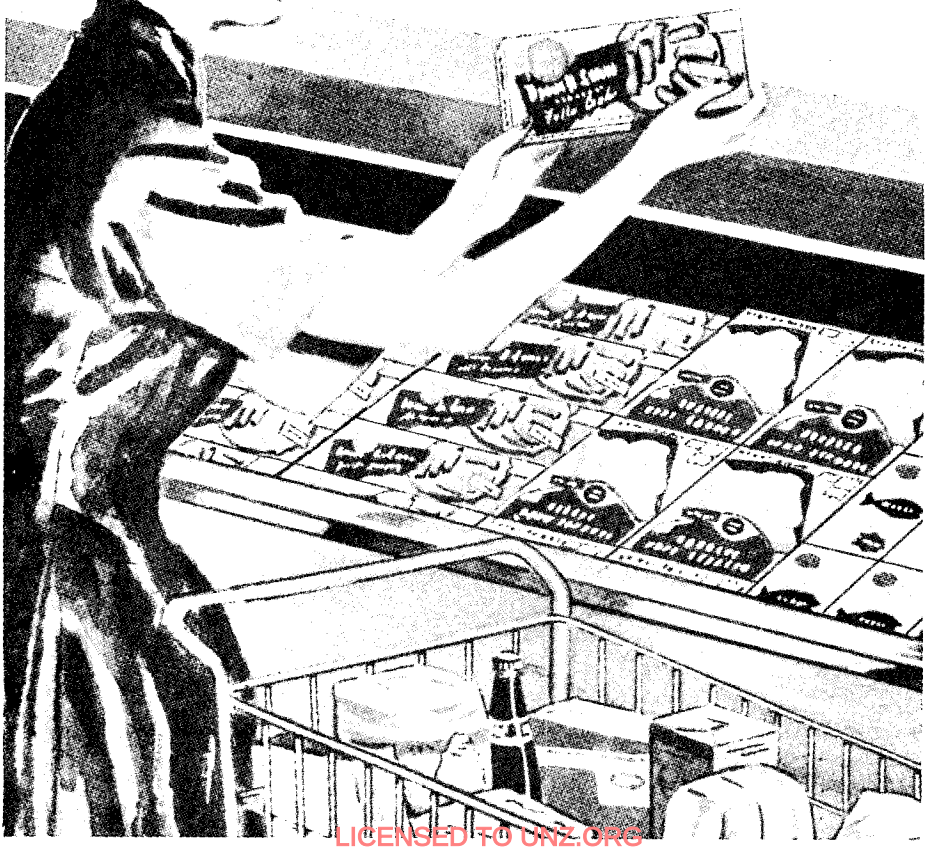
Something new has been added to the spread between farm and consumer prices: service the housewife wants and gets.

"BUILT-IN MAID SERVICE" ...is it really necessary?

HERRELL DEGRAFF



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ON A RECENT FRIDAY EVENING I did the week's grocery shopping with my wife. As I pushed the cart up and down the aisles "for her convenience," I noticed that something new had been added in our favorite store. Soft, restful music was coming from several newly installed loud-speakers.

I commented on it, and my wife said, "Yes, they've had it for a couple of weeks. I must stop and tell the manager I like it."

The manager will be interested that she likes it. But the real reason it has been installed is that careful research has shown that with such music the average customer will spend a few more minutes in the store and leave a few more cents in the cash register. The increased sales far offset the cost of the music.

Every service that is performed in the food industry has the same reason and the same justification. No service that does not pay its way by building business can survive in the intense competition of the food industry. This is true of everything that happens to food from the time it leaves the farm until a consumer buys it.

Pushing the cart for my wife and listening to the music, I found myself remembering the grocery store of yesterday.

A wheel of cheese was on the counter, an open box (or barrel) of crackers, another of prunes; a barrel of molasses, another of vinegar (and you were lucky if there was still not another of kerosene right alongside a bin of potatoes); sugar in bulk, also coffee, tea, rolled oats, rice, and beans; and flour in bulk sacks (nothing less than one-eighth of a barrel).

Meat was at another store, where the butcher cut to your order – and you took what he had that day. His store was often unheated in winter, out of consideration for the meat. He probably had the only refrigeration in town – a room chilled with ice in summer. (And we bribed him to chill a watermelon because there wasn't any refrigeration at home, either.)

Now, picture the store of today! Perhaps not most noticeable, but a great change all the same – we have one-stop shopping. Long, refrigerated cases of prepackaged meats, mirrored displays of fresh produce, another long refrigerated dairy case, a battery of frozen food cases, and several thousand items of canned, bottled, baked, pickled, prepared, and even precooked foods. All are packaged –

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in every conceivable size, shape, and kind of package that highly competitive food processors can devise to attract Mrs. Homemaker's attention. Nothing is in bulk anymore.

The store is big enough to house a dozen or twenty of yesterday's stores. It is brightly lighted – neon outside and fluorescent in – comfortably heated in winter and comfortably air-conditioned in summer. The door opens automatically as you approach it – controlled by an electric eye. All the thousands of items are displayed where the customer not only can see them but reach them – without getting on her knees or pulling a run in her nylons by stretching. There are carts for the toddlers to ride in, and clean, modern restrooms. There is a whole battery of check-out stations where any one of the nimble-fingered girls can ring up $20 before you can get your money out. And there is carry-out service (no tipping, please), and pick-up stations where you drive up to have the boy load in your groceries.

Not a single gadget, not a single service is there because the storekeeper likes to spend money. It is all there because Mrs. Homemaker has been found to go somewhere else if she does not get the services she wants as well as the food she wants.

Gains for Producer

What does all this mean to the producer?

To begin with, let's throw it all away and see where we would be. If there were *none* of the present food-processing and handling services, agriculture as a whole would still sell (or barter) just about as much food per consumer as at present.

Of course, the American people would be eating a very *different* diet, and even the economic life of the country would be very different. But people would still eat – about as much quantity per day and per year as now.

This fact has led some people to believe that our food marketing activities at present are too extensive and too costly.

The answer is not that simple.

It is meaningless that agriculture as a whole would sell as much quantity.

The reason is this: *Agriculture is not a single-unit business.* Agriculture is not *one* business.

Instead, it is composed of a large number of regional interests, of many product interests, and of about two million commercial farms. Each region, each product, each farm is competing in various ways with all others. Each is striving to increase its relative degree of consumer acceptance.

Note how true this is of prod-

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ucts that may be directly substituted. The family that had chicken for dinner by-passed pork. Another who had a meat substitute did not eat beef or lamb. Producers of each of these items have an interest in getting their respective products on more dinner tables. Livestock raisers want to have meat used – any kind – in place of competitive substitutes. Their interest is to increase their share of the consumer's food dollar – and this is true of the producers of each different food.

Once the competition for the consumer's dollar has begun, it ends, of course, in all the new services, all the new packages, all the ways to get sales that competition can devise. The good competitor gets the business. The poor competitor loses out.

Today's agriculture is highly commercialized and specialized. This kind of agriculture could not even exist without the processing and distribution functions that carry the many products of specialized farms through to consumers' kitchens.

Instead of the specialization that brings us Midwest ham, Western beef, Minnesota butter, Wisconsin cheese, Arkansas broilers, Washington apples, Arizona vegetables, Gulf Coast citrus – instead of this, we would have much larger numbers of smaller farms, much more diversified, and much less efficient. Such farms would not sell specialized products for national distribution. Without today's food processing and handling industry, they would be producing diversified products for local markets.

Production on such farms would be lower – both per acre and per man. Farm family earnings would be reduced, and the level of farm living would be lower than it is today.

So let's not throw the food industry away. Today's farmer has to have it in order to make today's farming possible.

Prepacked Service

Now, how does the homemaker look at all this?

Almost one-third of the labor force of the nation is women. More than half of the women in gainful employment are married women – homemakers as well as gainful workers. For them to be in the labor force, they must have maid service in the home. This maid service they cannot hire as domestic servants. Yet this does not mean they do without it. They get a lot of it in the form of food processing and preparation. In this sense also, the services of the food industry are irreplaceable in our present economy.

Food on the table involves cost – some of it in money, and some

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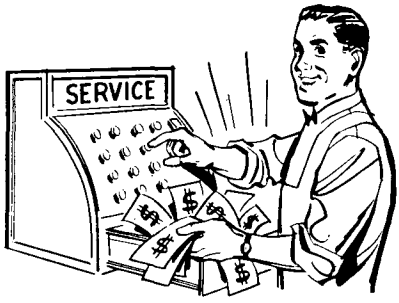

more of it either in money or in time and energy. Which does Mrs. Homemaker have in larger quantity? With a regular job or with a growing family, the answer is not always time and energy.

At what price can she sell her labor when she works in the kitchen? An efficient food industry may furnish her an attractive bargain.

A study by the Bureau of Home Economics of U.S.D.A. showed that a certain fully home-prepared family dinner cost $4.90 and took 5.5 hours of preparation. The meal from partly prepared foods increased the cost to $5.80 but reduced the time to 3.1 hours. The meal from fully prepared, ready-to-cook foods cost $6.70 and required 1.6 hours.

Look again at the first and last sets of figures. The extra cost was $1.80. The time saved was 4 hours. This means the homemaker worked for 45 cents an hour when she did all her own work. Millions of American housewives – with jobs of their own, with youngsters demanding their time, or with good incomes from their husbands' jobs – are not going to devote this much time for this much wage.

The evidence that they will not is their increasing insistence upon convenience foods.

They will not draw a chicken. (Few less than 40 years old know how.) They will not slice their own meat. They are shifting more and more food preparation from the kitchen back to the food industry. One of the most rapidly increasing items in food sales is fully cooked and frozen meat pies that only have to be heated in the oven before serving.

The kinds of foods that do not share in this trend are losing market to those that do.

Convenience foods – meats ready for the pan, the oven, oven-ready for the table – along with mixes, prepared vegetables, and the like are what Mrs. Homemaker increasingly is demanding. Food processors must provide them in order to keep abreast of current trends and to assure farmers whose products they handle that they will not lose out in the competitive race.

Reasons given by consumers for preferring prepackaged and partially prepared meats include:

Time and labor saved
Less waste in buying
Economically and quickly served
Greater uniformity in quality

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The demand for service is carried sometimes to extremes. I have seen a cute little bride return to the meat counter with a canned ham she had purchased. When she opened the can, the meat was not sliced – and she came back for slicing service.

Too much emphasis should not be placed on her lack of familiarity with a knife, but the pertinent fact is that she, like other consumers, *will get* the services *she* considers essential or she will serve some other food.

Services furnished by meat processors cost money – money that goes for wages, equipment, packages, and the like. More service with each pound of food means a higher retail price. Mrs. Homemaker pays the price whenever she values the extra convenience more highly than she does the extra money. It is precisely this attitude that already has shifted an amazing amount of food preparation work out of the kitchen and back to the food industry. It promises to shift still more. The trend has not yet run its course.

Meeting Competition

How does this trend affect the producer?

More service costs built into a pound of food result in a smaller share of the retail food dollar going back to the farmer, the feeder, and the rancher. Even so, producers generally benefit. Their main interest is not the percentage they get of the retail price. The real question is whether they get more or fewer dollars.

Any service homemakers want, and will pay for, *adds value* to the product. The extra cost of the service adds to the share of the retail price that goes to pay for processing and marketing. But on the same number of pounds sold, the same number of dollars go back to producers.

If an additional service makes the product more appealing to consumers and thereby leads to increased purchases, the additional demand actually means *more* dollars for farmers and ranchers who raised the animals.

Which food will win and hold consumer acceptance in greater degree – or, more accurately, which food *coupled with what services*?

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There was a time when producers could sell home-butchered hogs directly to consumers and get 100 per cent of the consumer dollar – or to the home-town meat market, and thus get closer to consumers than they can today. What would present consumers, or even today's supermarket, do with fat back or leaf lard as cut from the carcass? How many of either are equipped to grind the sausage or cure the hams and bacon?

The packing industry has taken over these functions – just as factories have taken over soapmaking and bakeries now do the baking – in order to provide homemakers with the products (product *and* services) they want. The producer is more remote from the consumer than ever before – and there are more costs between him and the consumer than ever before. The *share* of the retail dollar going to pay for processing and marketing is higher than it would be if all these services were not performed. But, because the services add value to the product – because consumers get precisely what they want – they pay more total dollars for their purchases. There are more total dollars to be divided – and more total dollars to go back to farmers and ranchers for their animals.

When we speak of what the consumer "wants," what do we mean? Who ever "wanted" a safety razor or a television set until he had seen one? Who "wanted" a wasteless, convenient canned ham, in a size just suited to her family, until she had tried one? "Want" in this sense is what we will spend our money for in competition with other uses for money. "Want" is created by producing something for which consumers will spend freely. It is extremely important to farmers and ranchers when services added by the packing industry more than pay the cost through increasing consumer acceptance and expanding the total demand for meat.

What Next?

The producer of any food for today's market should be asking whether there are still other services – more services or different services – that would increase the sales of his product in competition with other foods raised by other producers.

He should ask this question simply because different products compete directly for the same place on consumers' tables – for the same consumers' dollars. In our highly competitive market the food that most nearly satisfies Mrs. Homemaker's wants will increase its share of consumer spending – and something else will lose out in proportion. • • •

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The Moor's Proverb

JOHN MURRAY

The Moors have a saying about the man who being given milk to drink straightway claimed property in the cow. A true saying it is, and true anywhere. Many men readily presume on a gift or a lucky chance to turn it into a right. Some do this for themselves alone and not for others, and their greedy error, being small, is tolerable, and the cow's owner besides may subdue them. It is otherwise when it is done by great numbers that act together to persuade or compel the government, that has a great store, they think, of cows and milk. Yet the government is not blameworthy when it yields perforce at times to the sudden or great need of citizens, or some of them, and of its own grace and charity, lest suffering and disorder set in. It looks seemly in the government to show considerateness thus, as if it were the kindly father or patron of the needy and the stricken. But the government, which is neither of these, indulges itself unduly in this; for it lacks foresight of how the matter will turn out presently. By benefiting some in their temporary straits it draws them on to seek a long continuance of benefits, and things long continued persist strongly for longer. And furthermore others, and very likely many others, will seek to share in the beneficence, and when all or nearly all enjoy it, the thing is past undoing, or may well be judged so. The government itself, very likely, will flinch from undoing it, especially in a democracy, for fear of inflaming its enemies and provoking gross and hurtful conflicts that may endanger the nation, and of setting up a new and more lawless government in its place.

The first evil step brings on all the rest, just as a river receiving many tributaries grows to such a flood as cannot be withstood. All these gifts and immunities and lav-

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ishness of the government come not from its own wealth or resources, for it has none – neither milk nor cow, but only from what it takes first from citizens. Having the power thereto, it takes freely from one and gives to another. If only one man or woman were aggrieved, this foolish error, as has been said, would be tolerable, for all its injustice. But the evil is manifold; it grows and grows like a river of tributaries, and more and more men come to favor it. The hope of sharing in the broad coursing stream of beneficence sways them corruptly, and will corrupt them more and more until the government, that lacks resources of its own and has, by now, taken from the citizens as much as can by any means be taken, stands forth a lying and cheating bankrupt, and pays the penalty thereof, and is no better accounted than to have spread hardship and want in the nation.

Their Money If Alive, Their Possessions When They Die

The Moors' proverb can truly be said of ourselves nowadays, nay, far more than ever before. The government, for instance, has helped citizens in their need to buy bread, or it may be milk for their children, or medicines, or a house at a disproportionate price, or a thousand and one other easements, the cost whereof heavily burdens the government – the government first, and next all those from whom it takes their money, if they are alive, and their possessions, when they die, from the heirs. This burden, moreover, weakens the government. If it met with any great and costly calamity such as a war, how could it prevail against the enemy, having wasted its goods in the time of peace? And how could the citizens endure penury and suffering in war after long wallowing in the wasteful beneficence of the government, and how face the wounds and death and downright defeat after lying for long at ease in the soft warm bosom of the government? Truly, it is unsafe for the government to give and give and give – the milk and the cow herself and her progeny and whatever else is claimed falsely and corruptly as a right, as if the government were indeed the creator and provider of all things.

The worst of it is taking by laws, which differs very little from taking by duress and robbery, from some to bestow it on others. The citizens are thus divided and embittered against each other into the two factions of the givers and the receivers, the one without the blessing of charity and the other of gratitude. And the nation, as has been said, is impoverished and weakened, and sourness and greed

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spread throughout. The Romans had a wise saying, "Principiis Obsta," and to resist at the very start is the only remedy against those who would take milk and cow and all else. And if the continual taking the goods of citizens by cruel laws is a shameless wrong, the guilt of those who make such laws must be exceedingly great. The government itself becomes foully involved in the commerce between it and those whom it would fain appease and satisfy, the milk-and-cow-men. The government is not purged by this that at first considerateness, which is pardonable, misled it, if afterwards it follows the broad path that leads downward to destruction, and evil habit overmasters it till it has neither strength nor freedom left to do right. • • •

IDEAS ON LIBERTY

Communism Is An Idea

COMMUNISM IS NOT AN ARMY, nor even a dictatorship. Communism is an idea. It is a belief that individual freedom, as a way of life, will not work; a belief that certain ordinary mortals like you and me, who, mostly by fortuitous circumstance, happen to occupy the seats of government for a short time, are far more capable of running your life than you are; it is a fear that if we, the people, are left free to manage our own affairs, most of us will go hungry and be cold; it is a repudiation of the free market, where willing buyers and willing sellers voluntarily arrive at a figure agreeable to both; it is a false thesis that employers and employees belong to different classes and are natural enemies; it is a process whereby some people use the power of government to make other people conform to their views and desires; it is a coerced debasement of the intelligence and integrity and dignity of the individual human being, who must bow his head in deference to the views of political masters.

BEN MOREELL, *To Communism ... via Majority Vote*

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Law and justice in the United States are so closely patterned after the British model that we dare not ignore the dangerous trend toward —

Administrative Law *in Great Britain*

GEORGE WINDER

A. Devaney, Inc.

THE GREAT HERITAGE that ancient Rome left to modern civilization was the conception of the Rule of Law. Perhaps the greatest service that the British people have performed for mankind has been to develop and spread this heritage throughout many parts of the world which have never known the sway of Rome – including her own Dominions and, not least of all, the United States of America.

If there is one institution of which the British people are proud, and which, until a few short years ago, possessed their absolute trust and confidence, it is their legal system which, under the aegis of the High Court, has evolved over many generations until it has become the admiration of lawyers of many lands.

In an article in the *Reader's Digest* of December 1952, condensed from the *Winnipeg Tribunal,* the American lawyer, Karl Detyer, writes: "I am convinced that British justice is fairer and faster than its American counterpart. Punishment of the guilty is more certain, the innocent are more vigorously protected, and public safety is better served." He gives, as his reason for this, the complete freedom of the British Courts from the machinations of the politician. "No political influence," he writes, "direct or indirect, is tolerated anywhere in the administration of British justice."

This American lawyer's opinion accords with that of no less a man than Voltaire, who, over 150 years ago, wrote that, in traveling from France to England, he had passed out of the realm of despotism into a land where the Courts might be harsh but where men were ruled by law and not by caprice.

Mr. Winder, formerly a Socilitor of the Supreme Court of New Zealand, now farming in Sussex, England, is perhaps best known for his writings on behalf of freedom in economic affairs. This article first appeared in the American Bar Association Journal, *July 1957.*

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When the British legal system can be praised so highly, why has there lately developed concerning it a measure of doubt, as yet like a cloud on the horizon but nevertheless persistent in the minds of some British lawyers?

As far as the traditional British Courts are concerned, the confidence of the people is as justified as ever. The doubt lies in the fact that, alongside these ancient institutions, there is growing up a new form of legal tribunal which is beyond the jurisdiction of the High Court, and quite new to British legal principles.

One Code for All

Before 1914 – a year which marks the end of so many accepted ideas – the authority of the High Court over the British legal system was complete. No one could be punished, no fine imposed, no injury received, nor any tort inflicted, without the victim having the right to appeal to a British Court of Justice. As that great guide to the British Constitution, Professor Dicey, has pointed out, the very basis of British justice was the fact that the whole of her legal system came under the one authority – that of the High Court.

The legal code was not split into two parts as it was in France – one interpreted and enforced by the ordinary Courts, the other a system of so-called administrative law applied by officers. The idea of administrative law and administrative Courts was wholly repugnant to Dicey. It implied that the executive and the administration could be independent of the judiciary. Such an independence he believed to be contrary to the British conception of the rule of law.

There are strong reasons for believing that the unity of the British legal system under the High Court was due to the fact that, in Great Britain, the State played little part in the economic activities of the people. The great work of the Courts, apart from their criminal jurisdiction, was to see that the rights of individuals were enforced. As the State was seldom involved, it allowed the Courts complete freedom from political pressure of any kind. Such administrative rules as there were – as, for example, those under the Merchant Shipping Act or the Factory Acts – being comparatively few, could be enforced quite easily by the ordinary Courts.

The economic system of France, on the other hand, had been subject, ever since the days of Louis XIV, to a wide system of control exercised by the district Intendants, who took the greatest care that their exceptional jurisdiction should be continually extended.

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These controls were one of the primary causes of the French Revolution, but as de Tocqueville pointed out, they survived to a far greater extent under the Republic than is popularly supposed; and, so that they might be effectively enforced, administrative law survived with them.

Changes after World War I

It was not until after World War I that ideas inimical to the free economy began to be extensively reflected in British legislation, and the powers of certain Ministers of the Crown and their officers were increased beyond anything hitherto known in modern times. Under the old system, the sole concern of the British Courts was justice for the individual. Consequently, all their rules of evidence and procedure were evolved solely with that consideration in view. It was never conceived that they should have to deal with the thousands of regulations necessary to administer an economy with speed and efficiency. As a result, they were quite unprepared and unsuited to meet the changed conditions brought about by economic planning.

Parliament realized this, for with the new legislation, it provided for forms of legal enforcement under tribunals, which were quite new to British legal tradition. It also provided that the Ministers of the Crown and the officials responsible for enforcing the new legislation should have wide discretionary powers which were placed beyond the jurisdiction of the High Court.

These new tribunals are so alien to British ideas that their true nature is not yet fully recognized, but there is no gainsaying the fact that they are able to inflict very heavy fines on those who appear before them; and to enforce those fines, they may sell the offender's property. For the first time in many generations, a British subject can stand before such a tribunal defenseless in that he is deprived of his ancient right of appeal to a British Court of Law.

Milk Board Tribunals

Perhaps the most typical example of the new kind of "administrative court" is provided by the Tribunal of the Milk Board. In 1932 the British government decided that the free contract system should no longer apply to the sale of milk, and that its distribution from the farm to the consumer's doorstep should be completely within the control of the state-created Milk Marketing Board. The imposition of the necessary discipline upon farmers to effect this was not so very easily enforced. Shortly after the

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Board's inception, it had to deal with farmers who undercut its fixed prices in the hope of increasing their sales. It is interesting to speculate what might have happened to these offenders had they been arraigned before the ordinary Courts, charged with the entirely new crime of selling perfectly clean milk too cheaply. Fortunately for the Board, it was able to bring such recalcitrants before its own tribunals.

These were made up of milk producers little inclined to bias in favor of a rival who had undercut the price of their product. After listening to such a trial before such a tribunal, one lawyer has described how he saw the accused pronounced guilty and heavily fined – on the unsworn hearsay evidence of the Board's own servants. He also pointed out that the Board acted as judge, prosecutor, and recipient of the fines it inflicted.

Futile Protests

It must not be thought that British judges were unconcerned at this limitation of their jurisdiction. The Milk Board's judgments could only be enforced by a Court order. When applications were made for such orders, some judges put up considerable resistance and attempted to review the reasons for such judgments.

Judge Tobin, asked to sign such an order, said: "Am I to understand that certain of the King's subjects can be fined by some kind of tribunal sitting in a room to which the public are not admitted!" On being assured that this was so, he added: "It seems contrary to our law. I thought the essence of British justice was openness."

However, the disapproval of British judges was of no effect, and it soon became evident that there was a new punitive body in Great Britain, completely beyond the reach of a High Court judge.

The State Can Do No Wrong

To allay public suspicion, however, a Departmental Committee under the chairmanship of Viscount Falmouth was set up to report on this new legal procedure. In its finding supporting the tribunals, the Committee stated:

> There is also a possibility that the Courts, either from imperfect understanding of the schemes, or from lack of sympathy with them, might not inflict adequate penalties, particularly in the case of such offenses as undercutting, where the interests of producers as a whole might appear, on a short view, to be contrary to those of the public. Even in serious cases under the ordinary law, these Courts do not usually impose the maximum fines for offenses; indeed, the expectation that smaller

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fines would be imposed by the Courts than by the Marketing Boards has been used as an argument in favor of the former tribunal. Moreover, undue leniency to offending producers under the marketing schemes might cause such dissatisfaction to other producers, and so place a severe strain on their loyalty, thus leading to a breakdown of the schemes.

So the principle was accepted that, when the judgments of the Courts are unlikely to suit the purposes of the State, then in the name of expediency, a more compliant tribunal should be appointed in their place. So might Louis XIV have reasoned when he promulgated the following decree: "It is moreover ordered by his Majesty that all disputes which may arise upon the execution of this order, with all the circumstances and incidents thereunto belonging, shall be carried before the Intendant to be judged by him, saving an appeal to the Council, and all the courts of justice and tribunals are forbidden to take cognizance of the same."

De Tocqueville, who quotes this decree in his *State of Society in France before the Revolution of 1789*, also reminds his readers of the unity of the British legal system and the difficulty British people had of even conceiving an idea so alien to their thoughts as "Administrative Law":

> The difficulty of rendering these terms into intelligible English, arises from the fact that at no time in the last two centuries of the History of England has the executive administration assumed a peculiar jurisdiction to itself, or removed its officers from the jurisdiction of the courts of common law. . . . It will be seen that the ordinary jurisdictions of France have always been liable to be superseded by extraordinary judicial authorities when the interests of the government or the responsibility of its agents were at stake. The arbitrary jurisdiction of all such irregular tribunals was, in fact, abolished in England in 1641 by the Act under which fell the Court of Star Chamber and the High Commission.

De Tocqueville did not conceive that, many years after his death, those irregular tribunals beyond the reach of the High Court would be re-established in the country whose legal system he so much admired.

The Agricultural Act

After World War II, the advance of administrative law in Great Britain continued apace. The most outstanding addition to the new system was the Land Tribunal, set up under the Agricultural Act. This Act provided for the dispossession of farmers from their land if Agricultural Committees considered them inefficient. Their age-old right of access to

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the ordinary Courts was denied them, and instead, they were permitted to appeal to this entirely new court, the Land Tribunal.

The members of this body were appointed by the Minister of Agriculture himself, but as his servants had initiated the proceedings against the farmer, this practically made him the judge in his own case.

When the Conservatives were returned to power, they amended the Agricultural Act by providing that appointments to the Tribunal were, in future, to be made by the Lord Chancellor instead of by the Minister. Otherwise, they left the Act very much as it was passed by the socialist government.

Land Tribunals Above the Law

Although they have the power to inflict heavy fines and, in the case of the Land Tribunals, can recommend to the Minister that a man be deprived of his farm, all these new administrative courts are perfectly free to decide their own rules for the conduct of the cases before them. They can ignore those principles of procedure and evidence which, in the ordinary courts, have grown up over the years with the sole aim of protecting the rights of the individual. Their power is very nearly absolute in their particular field, as they are answerable only to the Minister under whose authority they have been set up. In his turn, the Minister may act with a wide discretionary power completely beyond the reach of the High Court.

No Judicial Supervision

C. J. Hamson, Professor of Comparative Law at the University of Cambridge, has pointed out the danger to the British legal system arising from the new administrative tribunals. In his book, *Executive Discretion and Judicial Control,* he writes:

> What we have to observe today is that the English system of a universal jurisdiction has in reality broken down, with the result that the entity which today wields the most real power — the Minister and his Department — is in England subject to a merely formal legal control, and is beyond all effective judicial supervision.

Professor Hamson rather nostalgically recalls Dicey's fears of administrative law, but he believes that with the growing power of the State, the extension of such a jurisdiction is inevitable. He suggests, as a remedy, that a special Court be set up to control the activities of administrative officials. He points out that this is the function of the French Conseil d'Etat, and recommends that body as a model for a similar court in

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Great Britain. Many concede that if an administrative jurisdiction must be accepted as a necessary part of the planned economy, a court with an overriding authority such as Professor Hamson suggests, can be some check on arbitrary power. But was the great Dicey wrong when he praised British law for being free from a separate administrative jurisdiction?

Justice versus Welfare State

The fact is that the British legal system, which reached its highest development in the nineteenth century, is the product of a civilization which based its economic activities on the freedom of the individual. Its traditional Courts are concerned wholly with the rights of the individual and not at all with the efficient working of the economic system. They are, in consequence, unsuited to enforce the vast accumulation of new regulations made necessary by the modern ideas of economic planning.

In Eastern Europe where the economic system is wholly planned by the State, the Rule of Law – as it was conceived by Rome and developed by Western civilization – has been completely destroyed. Its place has been taken by the wide discretionary powers of the state official.

In Great Britain, state economic planning as yet controls the producers only in a small section of the total economy, but it is already clear that the right of access of these producers to the traditional Courts must be curtailed. If the planning of the economy is allowed to extend into new fields, we can only conclude that the jurisdiction of the High Court will be correspondingly limited; and Great Britain will have substituted for her traditional legal system, concerned only with justice, a new system of law concerned primarily with the efficient working of the economy according to the ideas of the government in power.

Dicey's conception of the Rule of Law, under the one centralized authority of the High Court, was perfectly sound; but it would appear that it is only applicable to a free economy. The question is: Can the Rule of Law survive in a state-planned economy? • • •

IDEAS ON LIBERTY

The Odds Against Justice

Somebody claims to have figured it out that we have thirty-five million laws trying to enforce ten commandments.

LOYD WRIGHT, President, American Bar Association, 1955

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COLM BROGAN

MANPOWER MIGRATION

Why the best British brains are quitting the Welfare State

THE MOST REMARKABLE spectacle which London can offer to any visitor is a view of the crowds besieging the emigration offices of the Dominions.

Toward the end of last year and the beginning of 1957, the number of people applying to go to Canada, Australia, New Zealand, and South Africa increased by sixfold. So far as can be discovered, the proportion of professional men and highly skilled technicians among the intending emigrants is extremely high.

These are the people Britain can least afford to lose, and their rush to get out is a cause of real and growing anxiety.

Why do they want to go?

The intending emigrants themselves find it hard to explain why they want to say a long and last farewell to their native shores. But there can hardly be any doubt that the biggest cause of the exodus can be summarized in one word: Egalitarianism.

The young people of high skill and training, enterprise, and initiative can see no future for themselves in the Britain of today. The social atmosphere is such that the man who gets ahead by his own efforts is more likely to provoke resentment and envy than respect and admiration.

The machinery of government taxation is applied to make sure that any extra rewards he may make are taken back from him and distributed to the people who feel that the world in general and the government in particular owes them a living.

Britain is waking up to the needs of a technological age and is beginning to spend fairly heavily on the training of technological experts. But roughly half of those who are carefully and expensively trained are leaving the country al-

Mr. Brogan is a well-known British journalist.

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most as soon as they are qualified.

In other words, the people of Britain are paying for the training of highly skilled young people who will add to the wealth and efficiency of the Dominions, the United States of America, and South America.

It looks like bad business. But you can't have a society where the dull are declared the equals of the clever, and the lazy the equals of the enterprising, and hope to hold the minority who keep the majority in their jobs – unless you put down an Iron Curtain and prevent the best elements from getting away.

Britain is egalitarian, but Britain is not totalitarian. The result is that the dynamic elements are moving out. As Lenin said of the Russian army in 1917, they have voted with their feet. The kind of life that Britain offers is not the kind of life they want to have.

But how much worse will the kind of life be that Britain can offer when they are gone? That is the question which should be vexing the soul of the British Socialist party and be vexing even more heavily the soul of the "me-too" section of the Conservative party.

It is the biggest domestic question that confronts Britain today; and it may, one day, be the biggest domestic problem America will have to face if she continues to copy the British welfare state. • •

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IDEAS ON LIBERTY

"If You Can Keep It"

"We have given you a Republic, if you can keep it," explained the aged Ben Franklin as he wearily hobbled from Independence Hall after the work of creating our Constitution was completed.

President Eisenhower's tremendous budget is the answer, 170 years later, as to how well we have cared for the Republic Franklin and his cohorts gave us. And our generation cannot reap much satisfaction from the results of our efforts to preserve the work of our ancestors. The truest measure of the march from freedom to dictatorship is the percentage of the national income taken for governmental purposes. Each year the percentage of our earnings taken by the federal government grows greater. The end result of this road can only be eventual confiscation, extinguishment of human liberty and total dictatorship.

H. B. BASS, in a privately circulated letter from Enid, Oklahoma, May 15, 1957

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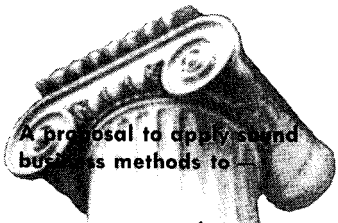

A proposal to apply sound business methods to—

The Business of Education

OSCAR W. COOLEY

Mr. Cooley is Assistant Professor of Economics, Ohio Northern University.

THE FREE MARKET is the obviously fair and mutually beneficial method of making exchanges. Yet, in the vitally important field of "marketing" higher education, this method has been largely abandoned, as C. J. Steiner, president of the University of Detroit, well points out in the article, "An Educational Challenge," in the April FREEMAN.

Few if any of our colleges and universities charge the student a tuition fee sufficient to defray the cost of the educational services which they render him, to say nothing of charging enough to make the transaction profitable to the institution. In the business world, this kind of exchange would lead to quick bankruptcy.

In order to make up its deficit and to get capital for expansion, the college looks to foundations, firms, churches, and individuals for gifts; and on more and more occasions to the State for subsidies.

When free goods are distributed, the word gets around and takers come from all quarters. College education being offered at less than cost, it is not surprising that more youths are knocking at the gates of our colleges than the latter can accommodate.

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To hold back the freshman flood, some institutions are raising their academic entrance requirements. But what of economic entrance requirements? The college that puts a low price tag on its product should not be surprised if the buyers seek it without enthusiasm and consume it lackadaisically. On the other hand, the youth who sacrifices to pay his way through college is not likely to be absent from classes, to study just enough to "get by." The college whose tuition schedule is set up on a break-even business basis will get students who mean business.

Education Pays Dividends

To the complaint that many deserving youth cannot afford to pay the full cost of a college education, it should be said that such an education can and should enable a person to make substantially more income, throughout his working life, than he can make without it. President Steiner says it means an additional $100,000 in lifetime earnings. Is there any good reason why the institution which gives the student this earning power should not be repaid with part of these extra earnings?

Colleges which have loaned money to students on a business basis, charging interest, have found that these loans are in most cases repaid. The prime qualification for a sound business loan is that it enables the borrower to increase his earnings by a sufficient amount to more than repay the loan. A few thousand dollars loaned to a serious-minded youth to enable him to become an engineer, or doctor, or professor, or businessman surely should qualify as such a loan. Any youth who objects to obligating himself for such a purpose would, by this act, be placing such a low valuation on a college education that he would seem to be a poor candidate to receive one.

What college president would not consider himself fortunate if his institution held the promissory notes of former students for sums representing the cost of their education, over and above what they or their parents had paid in cash? The payments of principal and interest on such notes would be far more dependable income to the institution than the present alumni gifts, most of which are pittances received only after strenuous asking.

The Strain Increases

In the next fifteen years, the increase in the number of students, which is expected to double, plus the greater cost of operation per student, is bound to put a terrific financial strain on the independent colleges. Already college presi-

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dents are knocking with ever-growing insistence on the doors of foundations, corporations, and wealthy donors. This is not economic enterprise; it is charity in a frock coat but charity nevertheless. Higher education in the United States is too big and important a business to be operated on a charity basis. It should be operated, as other big business is supposed to be, on a market basis.

If this is not done, the financing of higher education seems likely to gravitate into the hands of the State, and this despite the fact that it costs society more to educate a youth in a state university than in a private institution. Already, private colleges are asking for state support. Legislation is being drawn to provide federal "aid" to higher education. The time may not be far off when substantially all our colleges and universities will be financed – and controlled – by government. One hardly needs to point out that this will be the end of truly liberal education.

If this results, it will be because Americans failed to appreciate the principle of the free market enough to utilize it in the dispensing of their most important "product." • • •

IDEAS ON LIBERTY

A Leveling Down Process

One of the things which are causing thoughtful Americans increasing concern is the growing pressure that is being exerted on our tax-supported colleges to throw open their doors — like the gates to a public park — to all who apply, without regard to intellectual abilities or personal aptitudes. In making higher education a pleasant experience for the mediocre, such colleges are neglecting the brilliant. It is a leveling *down* process, driving higher education in exactly the opposite direction from that in which it should be going.

From *Whatsover Things*, a publication of Stetson University, October, 1955

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Ethics and the Executive

In the life of every executive, decisions involving basic ethical principles are frequent — and many of the situations are so casual that it is easy to overlook the moral judgments required. Yet many small slips will eventually undermine the executive's integrity — and give rise to a cynical attitude among employees, customers, and public.

WAYNE G. BROEHL, JR.

THE SUEZ CRISIS not only posed far-reaching political and economic problems; it also brought to the fore fundamental questions of ethics and morality. That these questions should be high-lighted with such clarity on the world scene is of more than coincidental importance to the business executive. For never before has the American business community been so deeply concerned about its moral responsibilities to individuals and society. Today's executive is again and again putting himself and his corporation through a rigorous process of soul-searching on these questions. And slowly but surely he is helping to evolve what Adolph Berle, in his provocative *Twentieth Century Capitalism*, calls the "corporate conscience." Almost unquestionably this concern for the "moral decision" has been one of the key end-products of broader stock ownership and the wide use of the professional manager.

Certain case examples come to mind immediately, for their counterparts have been in the news continuously in recent months:

- The board of directors of a textile company decides to close three mills in upper Massachusetts and New Hampshire. When and how are the employees to be notified?
- The president of a machine tool concern is threatened with a proxy contest by insurgent interests apparently chiefly interested in a spin-off for short-term financial gain. He ponders whether to attack the opposition on a personal basis.
- The labor-relations manager of a construction company is promised labor peace in exchange for under-the-table payments.
- The sales manager of an aircraft company is led to expect pref-

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erential treatment on a government bid if the company offers a certain government official a job.

One Thing in Common

All these examples have one thing in common – they pose questions of considerable import. The wrong answer in any of the four cases could have initiated a chain of events that might have ruined the responsible executive or his company. We have, in effect, what we might call a "catastrophic alternative."

The executive facing such a situation will quickly recognize the importance of the problem; he can be expected in almost every case to perceive its moral and ethical, as well as its economic and political, elements.

Of course, business will always offer opportunities for immoral acts, and every period has produced a "robber baron" element. But the "age of the managers" has produced a climate of morality in business that has never been surpassed; the incidence of robber barons today is extremely low. And, while the exceptions may not be condoned merely because they are few, today's business executives may well be, in matters of the larger ethical issue, among the most moral of the representatives of the world's professions.

But the introspective concern with large-scale moral issues has further clouded another, and much less easily discernible, ethical pitfall. This lies in the executive's daily life; it is produced by his obligation to make hundreds of small-scale decisions, none of them catastrophic in themselves. But their cumulative effect is probably much greater than the results of one or two major decisions.

An executive, whatever his functional area, deals with people. Further, his relationship with these people is authoritative; he has, in a real sense, control over their destinies.

The moral implications of this fact are far-reaching. In small ways and over many, many minor incidents the executive exerts a fundamental impact on the characters of the people his influence touches. Often this impact is sizable. An executive with a thorough-going set of ethical values will convey these values to people throughout his organization; further, his influence will be felt in the host of external relations that are among his responsibilities. Relationships with suppliers and customers, community and state officials, educators, labor union officials, foreign businessmen – all are influenced for better or worse by the executive's daily actions.

Not only when a new product is introduced or when purchasing re-

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quirements are drastically revised is there ethical and moral interplay; a "routine" sales or purchasing conference, multiplied many times, will have a tremendous long-run effect on both the executive himself and those with whom he is dealing.

Temptations of Power

Unfortunately, the temptations for minor slips in the value structure are greatest at this "routine" level. A position of power often makes a person arrogant or pompous; successful administration of a complex organization can readily give a feeling of infallibility unjustified by facts.

A minor slip by a person in such a position is rarely catastrophic; the ethical nature of the situation usually goes unnoticed. But the effect of such minor slips, unfortunately, is cumulative. At last the executive loses his perspective, and his aura of authority tends to destroy the values of those whose lives he touches.

Consider these examples:

• President X founded his company 30 years ago and has made it one of the leaders in its field. His pride in this accomplishment is great. But he has expected equal pride from his key subordinates. Childless, he continues to maintain the killing schedule he followed in the company's early years. His key men must "voluntarily" approximate his schedule; one who does not is considered to lack interest in the company. His executives first chafe under his influence, but soon they accept it and demand the same devotion from their subordinates.

• President Y, one of the most influential men in his town because of his company's dominant position in the area, becomes chairman of his church's finance committee. He himself contributes generously and he gets substantial contributions from his friends. At church meetings he frequently makes known his belief that the church should become more of a "social institution"; the minister and many members disagree, but are reluctant to speak out. Finally the church's character is fundamentally altered over the unvoiced objections of many of its members.

• Vice-president Z prides himself on the executive development program he instituted in his division. He attends most of the sessions, often making known his own opinions. He asks the participants in each conference to evaluate the program's worth afterward in a letter directly to him. The responses are uniformly favorable, with heavy emphasis on the ideas he himself expressed.

Each of these three examples shows certain "human relations"

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errors – the executive was failing to communicate, was not associating himself with the group, was not "listening," and so on. But even had he brought these outward manifestations under control – as he might have had he taken human relations courses and practiced all the techniques well – he would still have had an overriding duty to face up to the ethics of each question.

More than Techniques

Current human relations courses seem to hit hard on the necessity to "work through people," to gain "positive motivation." The executive is exhorted to develop two-way – or three-way, or even four-way – communication, is told to "perceive the totality."

But little or nothing is said about the set of personal values the executive is to *speak out of* in applying these principles. In the final analysis, everything a person does or says manifests his own set of personal values. One cannot espouse ethics for catastrophic alternatives while resolving "small" issues amorally. And one great vacuum in the human relations field today is the result of its failure to recognize the need for morality in small decisions; it offers "principles" by which one may achieve certain results, but fails to stress that they must be applied on the basis of a firm set of personal values. A decision based solely on momentary considerations or group pressure is amoral.

Everything an executive says and does to subordinates, superiors, and persons outside the company, he does and says out of his own mind and heart. Each action is in a small way a decision in ethics, and the cumulation makes up his character.

Such a cumulation may look widely different in different men. But its essential qualities are readily perceived. It is remarkable how quickly and intuitively subordinates can sense a man's ethics. Over the long run, humility, kindness, trustworthiness cannot be projected unless they are genuine. And firm and lasting human relations can be effected only through application of principles within an ethical framework. A man who turns his human relations "principles" on and off at will is usually found lacking over the long run.

What Do You Really Worship?

It would be presumptuous to set forth a "handy list of personal values" that could be applied in any situation; in fact, the tendency to compile such lists is one of the major weaknesses in human relations training.

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But perhaps we may say this much: A man puts first that which he worships. If he worships power or influence, his day-by-day decisions will invariably reflect that fact, no matter how carefully he wraps them in cloaks of selflessness and service. And if he places first his religious faith, his decisions will reflect their religious base even if he tries to conceal it. Since all religions have a common ethical base, it does not matter for our case what his religion may be. What does matter is that any decision, big or small, be made in the conscious realization that it represents an entire value structure. •

Decreasing Value of the Dollar

LIVINGSTON KEPLINGER

OUR PRESENT TYPE of prosperity sustained by large annual military spending distorts normal comparison between rise in prices and the increase in physical production. This is so because such a prosperity obscures the accelerating rise in the cost of government. In all manufactured goods these costs are added to the selling price, so it becomes apparent that in addition to military purchases the two major pressures from spiraling wages and spiraling costs of government are pushing the total economy into higher levels of prices and production without relation to normal civilian supply and demand.

In the past ten years employment in manufacturing industries has risen 3 per cent, or 875,000; however, during the same period government workers have increased 31 per cent, or 1,700,000.

Since 1940 the U. S. population has increased 29 per cent. Industrial production increased 113 per cent, but by contrast other values have risen out of all proportion to production – gross national product up 310 per cent, U. S. government expenditures up 634 per cent, federal tax collections up 1,184 per cent.

It seems almost incredible with these facts available that anyone asks why prices are up instead of asking how much higher they will rise and – what is more important – what can be done about halting the steadily decreasing value or purchasing power of the dollar. •

Mr. Keplinger is President of the Steel Shipping Container Institute.

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AN EXCEPTION MAKER'S FATE

JOHN CHAMBERLAIN

THE REPUTATION of Alexander Hamilton has fallen on evil days. The libertarians disown him because of his tariff views, which is perhaps to be expected. The Welfare Statists (who have perverted Jefferson, the anti-Statist, to their own ends) hate Hamilton because of his concern for the "rich, the well-born, and the able." The unkindest cut of all, however, has come from the new breed of "conservative"—men who reject Hamilton because he was a "mercantilist," had an "obsession" with economics, and allegedly helped deliver a young nation into the hands of a "plutocracy."

All of this is singular when one remembers how Hamilton affected the "liberals," " progressives," and "conservatives" of an older generation. In the late nineteenth century William Graham Sumner, who was as passionate a free trader as one could wish, revered Hamilton as the chief architect of the young American Republic. The elder Henry Cabot Lodge, a "conservative," and Theodore Roosevelt, a "progressive," agreed on taking Hamilton as a model of the correct public servant, and Herbert Croly, founder of *The New Republic*, was a self-proclaimed believer in "Hamiltonian means to Jeffersonian ends." Regardless of their views about Hamilton's economics, these older thinkers of whatever school at least took Hamilton seriously as a patriot and as a great historical figure.

To revive the Hamiltonian tradition, Louis M. Hacker, Dean of the School of General Studies at Columbia University, has written a compact little book called *Alexander Hamilton in the American Tradition* (McGraw-Hill, 284 pp. $4.75). It is Louis Hacker's opinion that the "new conservatives" and the libertarians alike know little about the actual substance of Hamilton's thought.

According to Dr. Hacker's interpretation, Alexander Hamilton was neither a "mercantilist" nor a "lover of government by plutocracy." He was, rather, a confirmed believer in the liberal economics of Adam Smith's *Wealth of Nations*, which, on evidence offered on many pages of Dr. Hacker's book, found itself paraphrased or even copied without benefit of quotation marks in many a passage of Hamilton's reports on banking, currency, and manufactures.

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Dr. Hacker has been at great pains to disentangle Hamilton from what successive generations have made of him. The picture, as it comes out, is a most attractive one.

Hamilton, who was born out of wedlock in the Lesser Antilles, quite definitely had his way to make in the world when he moved to New York City on the eve of the American Revolution. But he was no vulgar *arriviste*. Dr. Hacker presents him as a temperate and studious young man who had habits of thoroughness. He may have lacked Jefferson's devouring curiosity about the wonders of the natural world, but when he led his company of volunteers to war in 1776, he took with him the works of Demosthenes, Cicero, Plutarch, Bacon, Hobbes, and Rousseau, along with a number of histories and Ralt's *Dictionary of Trade and Commerce*. "Only the last," says Dr. Hacker, "in all likelihood, was unfamiliar to Jefferson and Madison."

But, far from showing an "obsession" with economics, the fact that Hamilton was interested in such questions as the public debt, money, banks, and manufacturing made him a much more rounded man than either Jefferson or Madison who had the provincial "agrarian" point of view. Incidentally, on Dr. Hacker's showing, Hamilton was thoroughly familiar with the whole natural-rights debate of the eighteenth century, and he could quote from Coke, Blackstone, and John Locke as aptly as could Jefferson, John Adams, or anybody else.

Bounties for Infant Industries

In view of what has been made of Hamilton's economics, perhaps the most interesting pages in Dr. Hacker's book bear on the "protectionist" strain in Hamilton's thinking. It is Dr. Hacker's opinion, backed by copious quotation, that Hamilton was a firm supporter of Adam Smith's "simple system of natural liberty" even in matters extending beyond national borders.

True, Hamilton wanted to see "infant industries" develop in the United States in order that the young Republic might have the basic security of a widely diversified economy. To establish these "infant industries" Hamilton was prepared to pay a "short run" price. But Hamilton, according to Dr. Hacker, wished to use a system of temporary bounties rather than a protective tariff to help his infant industries get on their feet. Says Hacker, paraphrasing Hamilton's own thought, "bounties, unlike high duties, will not produce scarcity. Protective duties ultimately lead to higher prices; in the short run, they discourage impor-

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tations . . . . unlike protective duties, bounties will promote exports, too."

Even bounties, said Hamilton, should be terminated once their purpose has been accomplished. "The continuance of bounties on manufactures long established," he said, "must almost always be of questionable policy."

No doubt Dr. Hacker is on firm ground in his attempt to number Alexander Hamilton among the believers in the long-term value of libertarian principle. But Hamilton has paid the price which all state manipulationists, even the temporary ones, must pay. When they invoke government to deal with a "short-run" problem instead of relying on the principle of voluntary association to handle it, they set in motion events which go beyond their control.

Thus, having given a protectionist cast to the American economy at the very outset, Hamilton started a tradition which could not be reversed. Not only did he create the "American system" which came to rely on the tariff, he affected the economic thinking of continental Europe. A German, Friedrich List, who lived in America for a period in the early nineteenth century, read Hamilton and returned to his homeland to expound the doctrine of nationalist economics. List became the prime European enemy of Adam Smith — and, as such, he might justly be called the creator of the school which culminated in the theories of Dr. Hjalmar Schacht, who put his "nationalist" economic principles at the service of Adolf Hitler, the totalitarian.

Temporizing with Principle

This is what happens when the "practical" statesman temporizes with a principle. In our own day we have seen the same thing happen to "Keynesianism." John Maynard Keynes himself was no believer in "government spending" as a universal cure-all; indeed, when "full employment" had been achieved in Britain during World War II, Keynes became a proponent of high taxation and compulsory saving. But, having given politicians the idea that government spending is a sure-fire way of garnering votes, Keynes discovered that it takes virtually a miracle to reverse the "manipulationist" gears. Today England remains a State where Welfarist spending is out of all proportion to the actual benefits accruing to individuals from such things as "free" medicine and "rights" to old-age protection. The "conservative" in Keynes has been eaten up by the Keynes who was the radical manipulationist, just as Hamilton, the disciple of Adam Smith, has been

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eaten up by the protectionist Hamilton who was the forefather of Friedrich List.

The Good He Did

If Dr. Hacker cannot in the nature of things rescue Alexander Hamilton from the fate of all manipulationists, he does nonetheless clear the air about many things. Hamilton's insistence that a government must be honest in all matters pertaining to money and credit enabled the young American Republic to find itself, and nobody can ever take that away from him. Furthermore, it is incontestable that Hamilton was one of the chief architects of the American Constitution. Even though he did set the protectionist fallacy in motion on American shores, the good he did in expounding the political principles underlying a proper check-and-balance system far outbalances his waywardness about economic "bounties."

Dr. Hacker thinks Hamilton played a major part in saving the American Revolution from an equalitarian perversion of its true libertarian origins. If it had not been for Hamilton's action at the abortive Annapolis Convention, there might have been no call for a Constitutional Convention. And if it had not been for Hamilton's political labors after the Constitution had been written, ratification might have been defeated in the key state of New York. The defeat of the Constitution, so Dr. Hacker asserts, would have been fatal to America, which needed freedom-in-federation even to exist in a world of wolves.

Thus Hamilton certainly deserves the support and homage of all believers in the American tradition, whether they call themselves "liberal" or "conservative" or what-have-you. • • •

The Great Giveaway

The Realities of Foreign Aid.

By Eugene W. Castle. Chicago: Henry Regnery & Co., 188 pp. $3.50.

ANGRY, EVEN frenetic, writing has its uses. Its principal function is to get people stirred up to the point where they will "do something about it." Restrained, thoughtful argument may carry intellectual conviction, but that is no substitute for Zola's *J'Accuse* or Tom Paine's pamphlets during the American Revolution. In the political arena, where the objectives are always immediate, the man who lashes out with passion is more effective than the philosopher.

Take the case of *The Great Giveaway* by Eugene W. Castle. The obvious purpose of the writer is to make people aware of the complete failure of our "foreign

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aid" policy since its inception – that is, failure to achieve the very ends which its advocates claimed for it. The $60 billion of American tax-money have not bought us dependable allies, won friendship for us as a nation, stopped the march of communism, improved the economies of the recipient countries, nor done anything else that its proponents advanced in support of donations. Mr. Castle rests his case on facts, drawn mainly from his observations as a world traveler, without resort to theory, and is uninhibited in his denunciation of the whole thing. He wants "foreign aid" curtailed and stopped, now.

One cannot say with certainty that his opinionated exposition has had anything to do with the present spontaneous revolt against the Eisenhower budget; but when one reflects that the letter-writing attack on it is largely directed at the continuation of "foreign aid" (as reported), one is inclined to believe that among these protesters there must be a number of readers of this book. To that extent the book is a success.

Mr. Castle only touches on the underlying reasons for "foreign aid" which economists have been trying to expose in more thoughtful essays and books – namely, that the spending of our money abroad is a hypodermic for our domestic economy, that it is designedly inflationary, that it increases the burden of bureaucracy at home and abroad, that it stems from the Keynesian notion that a country can spend itself into prosperity. That is why the politicians and large segments of American industry, to say nothing of Keynesian economists, have supported the great giveaway. But, this attack on "foreign aid" calls for a knowledge of economic principles and an exposition of the long-run effects of inflation. Mr. Castle is interested in immediate action and therefore goes after "foreign aid" with hammer and tongs.

It is an effective book. It gets one "mad." The author makes no pretensions to literary excellence, nor is he concerned with what place his book will attain in the future. He wants action now. Apparently he has got some action; and if his book is widely read, it may have far more effect on the discontinuation of the great giveaway than the learned dissertations stimulated by this economic monstrosity.

FRANK CHODOROV

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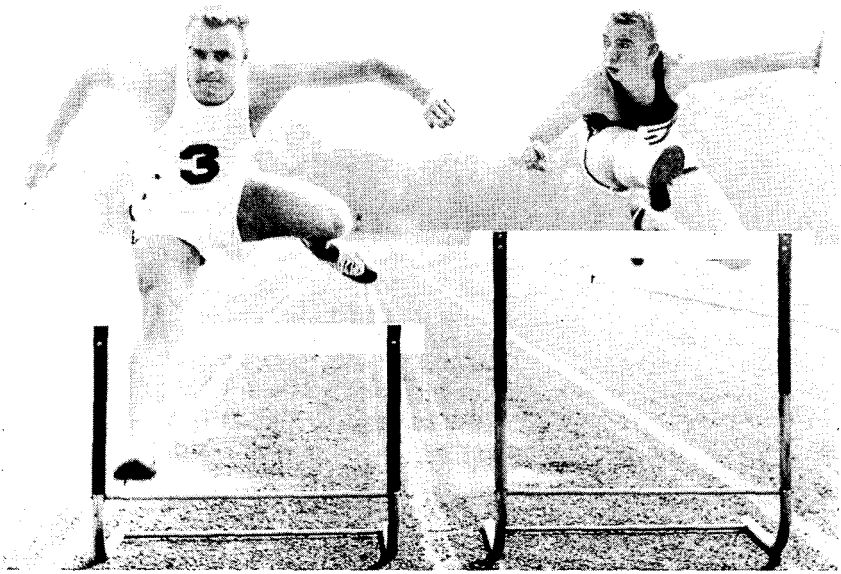

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